

OKLAHOMA DEPARTMENT OF SECURITIES
FIRST NATIONAL CENTER
120 NORTH ROBINSON, SUITE 860
OKLAHOMA CITY, OKLAHOMA 73102



SOUTHEAST INVESTMENTS, N.C. INC.
and FRANK H. BLACK,

Appellants,

vs.

OSC 15-001

OKLAHOMA DEPARTMENT OF SECURITIES
ex rel. IRVING L. FAUGHT, ADMINISTRATOR,

Appellee.

**RESPONDENTS' BRIEF IN SUPPORT OF THEIR PETITION
FOR REVIEW OF ADMINISTRATOR'S ORDER TO CEASE
AND DESIST AND IMPOSING CIVIL PENALTIES**

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This brief is submitted by Respondents Southeast Investments, N.C. Inc. and Frank H. Black (collectively, "Respondents" and, individually, "Southeast" and "Black") in support of Respondents' Petition for Review of the Administrator's "Order to Cease and Desist and Imposing Civil Penalties" filed October 10, 2014 ("Final Order"). A copy of the Final Order is included in the Appendix filed herewith at Exhibit 1. *See* Note 3 *infra* concerning the contents of the record assembled by the Department. Documents in the record of the proceedings from which this appeal is taken (OSC 15-001, Vols. 1 and 2) are cited as "Record" followed by tab numbers and, where appropriate, page numbers.

I. STATEMENT REGARDING JURISDICTION OF THE COMMISSION

The Commission has jurisdiction over Southeast's Oklahoma operations. But, on its face, the cease-and-desist order contained in the Final Order is not so limited. *See* Final Order at p. 7 (first ordering paragraph) and Respondents' discussion of extraterritorial jurisdiction issues in the Record at Tab 10, pp. 4-6 and Tab 16, pp. 7-9. The briefs just cited show that the

Department never had jurisdiction to adjudicate the matters encompassed in the March 26, 2013 Recommendation (Record, Tab 1, hereinafter called “the 3-26-13 Recommendation”), as more fully explicated in the procedural history detailed in Part II.B below. For that very reason, the Department was constrained to find a way to “supplement” the original recommendation to enable it to proceed against these remaining Respondents after the real issues in these proceedings had already been resolved by the settlement agreement of April 30, 2014. Record at Tab 33.¹

II. ISSUES PRESENTED FOR REVIEW

A. Whether the Administrator erred in his ruling that Southeast failed to establish, maintain and/or enforce supervisory procedures.

B. Whether the Administrator erred in his ruling that Black failed to enforce supervisory procedures to assure compliance with applicable securities laws.

C. Whether the Administrator erred in his implied ruling that Southeast and Black were not in material compliance with applicable Oklahoma statutes or regulations when they failed to promptly file a correcting amendment of Watkin's change of address and the filing of the 2013 Recommendation later than March 26, 2013.²

¹ As the record reflects, the original charge against Southeast (in the 3-26-13 Recommendation) was that it failed to supervise Watkins adequately and thereby facilitated his violation of the original Department Recommendation of March 29, 2012. Southeast was not accused of any system-wide failure to “establish, maintain and/or enforce supervisory procedures.” That sweeping allegation surfaced for the first time in the re-invented recommendation that was filed over a year later, on June 20, 2014.

² Respondents characterize the stated ruling as “implied” because, on its face, the Administrator’s Conclusion of Law No. 3 (*See* Appendix hereto, Ex. 1 at page 7, numbered paragraph “3”)(hereinafter cited as “Resp. App.”) is a statement of fact that may or may not have legal significance. *See* Summary and Analysis of the Final Order, Part III.C *infra*.

III. STATEMENT OF THE CASE

A. Abstract of the Dispositive Procedural Events (Nature of the Case)

This matter was commenced by the Oklahoma Department of Securities (hereinafter “ODS” or the Department) on the recommendation of its Enforcement Division on March 29, 2012 styled as follows: In the Matter of: Rodney Larry Watkins, Jr. (CRD #3091936) (the “3-29-12 Recommendation”). Resp. App., Ex. 2. The 3-29-12 Recommendation recommended a suspension for Watkins based on his actions while a broker-dealer agent and an investment advisor representative with Ameriprise Financial Services, Inc. (“AFS”). The original file number of ODS 12-058 was carried forward in all of the proceedings before the Administrator.³ The proceeding initiated by the 3-29-12 Recommendation culminated in an agreement and six-month suspension. *See* Resp. App. Exs. 3 (agreement) and 4 (related order).

The Department named Southeast and Black as additional Respondents in the “supplemental” 3-26-13 Recommendation (Record, Tab 1). The 3-26-13 Recommendation alleged that Watkins had violated the August 29, 2012 agreement by executing securities orders from the State of Oklahoma on behalf of customers in Kansas and Texas. The Department and Watkins settled the issues raised in the 3-26-13 Recommendation on April 30, 2014 (Record, Tab 33).

³ The record assembled by the Department includes only filings from and after the Enforcement Division Recommendation of March 26, 2013 (Record, Tab 1). Filings referred to herein that predate that date are included in the Resp. App. *See* Commission Rule 660:1-5-1(d)(5). In addition, the Final Order is included in the appendix as Exhibit 1 because it was not included in the record. *See* Commission Rules 660:1-5-1(c) and 660:2-9-7(b)(1) concerning required content of the record. To facilitate review of the entire procedural history of these proceedings (there have been three different Recommendations filed over a two-and-a-half year period), Respondents have included a Timeline of Case Proceeding in their appendix at Exhibit 6.

On June 20, 2014, the Department submitted a third recommendation styled “Supplemental Enforcement Division Recommendation” (the “6-20-14 Recommendation”) seeking (i) permanent suspension of Southeast and Black and (ii) levying of a \$65,000.00 fine. Record at Tab 41. The 6-20-14 Recommendation alleged system-wide failures by Southeast to supervise its agents adequately and failure to update information to the Central Registration Depository (“CRD”) maintained by the Financial Industry Regulatory Authority (“FINRA”). The Administrator ruled on the 6-20-14 Recommendation in the Final Order appealed from here. He ordered Respondents to “cease and desist from their violations of the [Oklahoma Securities Act]” and levied a \$5,000.00 fine.

B. Factual Background and Detailed Procedural History
(Course of Proceedings)

As noted in Part III.A immediately above, these proceedings commenced with the filing of the 3-29-12 Recommendation. The background facts that gave rise to that filing and the events that have transpired since are recounted below.

Watkins’ employment with Ameriprise Financial Services

Watkins was registered as a broker-dealer agent and an investment adviser representative with Ameriprise Financial Services, Inc. (“AFS”) from March 2009 to October 2011. Before his employment with AFS, Watkins had worked as broker-dealer agent for Merrill Lynch for approximately twelve years and had never been the subject of any disciplinary action. In August 2011, AFS conducted a series of investigatory interviews of Watkins at which time he admitted to exercising time discretion in multiple client accounts without having written discretionary trading authority. (Under then-existing AFS rules, Watkins was able to take orders on Monday through Wednesday and place them on Thursday). Further investigation by AFS revealed inconsistent client signatures, which caused AFS to conclude that Watkins had used “recycled”

signatures. Thereafter, AFS suspended Watkins and he resigned from AFS, notwithstanding the fact that he was operating under an Office of Supervisory Jurisdiction at the time and had been for the previous two years. So far as Respondents can determine, no FINRA, ODS or other sanctions were ever imposed on AFS.

The original Department suspension recommendation

Subsequent to Watkins' resignation from AFS, he was employed by Southeast Investments, N.C. Inc., and on February 24, 2012, he filed an application for broker-dealer agent registration under the Oklahoma Securities Act of 2004 ("Act"), Okla. Stat. tit. 71 §§ 1-101 through 1-701 (2011). Upon review of Watkins' application, the ODS Examinations Division discovered the AFS Form U-5 amendment outlining the reasons for his suspension by AFS. This review apparently triggered the commencement of the original 2012 proceeding, with the ODS Enforcement Division recommending that (a) the Administrator bar Watkins from future registration under the Act in any capacity, (b) bar him from association with a broker-dealer or investment adviser in any capacity, and/or (c) impose a civil penalty against him. Resp. App., Ex. 2. While his application was pending with the ODS, Watkins was approved as a broker-dealer agent by FINRA and the States of California, Kansas and Texas.

Watkins responded to the Enforcement Division's allegations and recommendations. In mitigation of the Enforcement Division's Recommendation, Watkins asserted that the Recommendation of an absolute bar was not in the public interest considering (a) that no customer/client funds or securities were ever misappropriated by him; (b) that there was never any customer complaint filed against him; (c) that his cooperation and forthrightness in the AFS investigatory process was duly noted by AFS personnel; and (d) that an *absolute* bar would be unduly harsh and punitive. See Record, Tab 54, Ex. "A."

The agreed, retroactive suspension

By Agreement entered into by the ODS and Watkins on August 29, 2012, Watkins represented that he had not offered or sold a security or transacted securities business in and/or from the State of Oklahoma “as a broker-dealer, broker-dealer agent, issuer agent, investment adviser, and/or investment adviser representative, as such terms are defined in Section 1-102 of the Act, since November 25, 2011.” Resp. App., Exs. 3 and 4 (Agreement and Order incorporating Agreement) and Record at Tab 10, pp. 2-3 (quoting the August, 2012 order). Watkins was ordered to pay a monetary penalty of \$2,500.00 to be paid prior to “his registration under the Act as a broker-dealer, broker-dealer agent, issuer agent, investment adviser and/or investment adviser representative.” Watkins’ registration was further conditioned upon his agreement to operate under an approved heightened supervision plan which included on-site supervision. *See* Resp. App., Exs. 3, 4 *and* Record at Tab 54, Ex. “B.”

Watkins’ association with Southeast and non-Oklahoma activities

Watkins joined Southeast in the first quarter of 2012. His association with Southeast as its agent received FINRA approval on February 14, 2012, California Securities Commission approval on February 27, 2012, Kansas Securities Commission approval on February 28, 2012, and Texas Securities Commission approval on March 8, 2012. Watkins has never been suspended or disciplined by any state regulators other than the ODS.⁴

As set forth in more detail in Respondents’ Motion for Summary Disposition filed December 2, 2013 (Record at Tab 10), Watkins worked out of his sister’s home in Texas -- a state where he was duly licensed at all relevant times -- between May 11, 2012 and September 9,

⁴ The facts stated in this paragraph were included in Respondents’ August 29, 2014 brief (Record, Tab 54 at p. 4), but not verified by affidavit. Respondents understand and believe that the Department does not contest such facts.

2012. During that five-month period, Watkins placed a total of nineteen buy or sell orders for seven clients who resided in either Texas or Kansas. Watkins conducted *no* securities business anywhere from September 9, 2012 until April 30, 2014, when he was reinstated in Oklahoma. *See* Record at Tab 54, Ex. “C,” *at* deposition pages 90-117 (customer Alprin); Vol. 2, pp. 22-28 (customer Lewis); 33-40 (customer Payne); 41-46, 49-50 (customer Walker); 52, line 11 to 53, line 23 (customer Williams); 58-60 (customer Ronica Watkins) and 65-67 (Watkins’ affidavit regarding non-Oklahoma customers generally); Record at Tab 10, Ex. “D” (Southeast customer affidavits, showing the latest securities transaction in September, 2012) and Record at Tab 33 (April 30, 2014 Agreement).

Acting on a mistaken assumption, the Enforcement Division filed a Supplemental Recommendation on March 26, 2013 (“3-26-13 Recommendation”), which named Southeast and Black as additional Respondents. Record at Tab 1. That assumption was this: because Watkins resided in Tulsa and maintained a general financial services office there, securities transactions consummated during Mr. Watkins’ Oklahoma suspension necessarily occurred in Oklahoma. Confronted with overwhelming evidence that the assumption was in fact mistaken – the testimony of Mr. Watkins himself, of his wife and office-mate Sharmien Watkins, of his Southeast Securities colleague Lamar Guillory and, especially, the affidavits of the customers themselves⁵ -- the Department settled its claims with Mr. Watkins. *See* generally, Record, Tabs 10 and 16 (Respondents’ briefs relating to extraterritorial jurisdiction). The settlement requires, most significantly, that Watkins facilitate periodic reviews of his practice by a third-party consultant. No additional suspension or fine was imposed. Record at Tab 33 (the Settlement

⁵ The Department would have borne the burden of proof at hearing, a burden that Respondents respectfully suggest the Department could not meet. *See* Part IV.A *infra*.

Agreement).⁶ *There is no evidence in the record and no suggestion in the Final Order of October 10, 2014 that Watkins has failed to comply with the terms of the Settlement Agreement with the Department.*

The Department's slender reed: an Oklahoma "nexus"

The Department's response to the Respondents' motion for summary disposition of the 3-26-13 Recommendation was dominated by argument about the existence of a "nexus" between the subject transactions and the State of Oklahoma, notwithstanding these stubborn facts: no securities transactions handled by Watkins actually occurred in this state. That argument is a testament to just how clear it was that the 3-26-13 Recommendation rested on the slenderest of reeds. Here is a sample:

Section 413(e) [of the former Oklahoma Securities Act] provided in pertinent part as follows: 'For the purpose of this section, an offer to sell or, to buy is made in this state, whether or not either party is then present in this state, when the offer: (1) originates from this state[.]' While recognizing there is little guidance as to the meaning of "originates," the *Nuveen* court concluded that some sort of nexus between the "sale" and the state is required. The court found the presence of a sufficient nexus to warrant application of this state's securities laws due to, *inter alia*, an employee's involvement in the preparation of certain of the offering documents and his research activities while in Oklahoma.

Record at Tab 15, pp. 15-16.

Respondents respectfully suggest that, when a regulatory agency sets out in search of "some sort of nexus" so it can revoke a broker's license and confiscate his livelihood, the agency

⁶ As is so often the real-world case, Watkins had little choice at the end of the day but to capitulate to the Department's demands. Absent such capitulation, he faced the potential of many more months, or years, of *practical* suspension while the internal and external appeals processes played out. Unlike litigants in private civil actions, a party to a proceeding like this one cannot post a supersedeas bond to stay enforcement of an agency action. Such is the power of government licensing regulators.

ought to take a moment and re-examine its priorities.⁷ Yet the allegations against *Southeast and Black* in the 3-26-13 Recommendation were even more attenuated: those respondents stood accused of failing to prevent the slender-reed, putative violations by Watkins.

Almost fourteen months after commencement of this proceeding against Black and Southeast, the Department found time to take Southeast's deposition through its principal, Black. Some three weeks after the Black deposition (on June 10, 2014), the Department announced that it had discovered startling new evidence of independent violations by Southeast. The actions that the Department "discovered" at the eleventh hour are neither startling, nor momentous, nor (most importantly) unlawful. Nevertheless on the strength of the supposed new discoveries, the Department filed what amounts to *an entirely new proceeding against Southeast and Black* on June 20, 2014 styled "Supplemental Enforcement Division Recommendation." Record at Tab 41. Over the Respondents' unequivocal objection, the Supplemental Recommendation was allowed by order of the Administrator less than twenty-four hours after Respondents' objection was filed with the Administrator. Record at Tabs 39 (Objection) and 40 (Order).

The events described above represent a continuation of the bootstrap character of these proceedings that has permeated the same from the outset: if the original allegations turn out to be contradicted by the facts, just argue "some sort of nexus;" if the Department's vicarious liability theory against the broker-dealer falls with the failure of the underlying misconduct allegation (as necessarily it must), just "discover" some entirely *new* violations to keep the broker-dealer in the dock.

⁷ And in Watkins' case, of course, there were no "offering materials" and no "research," much less which occurred in Oklahoma. Watkins sold listed securities to existing clients, so even the attenuated "nexus" of the *Nuveen* case did not exist. The truth is that the Department never had a valid suspension case against Watkins. Not only did the statutes (and the United States Constitution) undermine the Department's actions, so too did the original suspension order itself. That order explicitly limited its geographic reach to Oklahoma.

C. Summary and Analysis of the Final Order

The Final Order rejects the Enforcement Division's recommendation in the 6-20-14 Recommendation that the licenses of Southeast and Black be revoked permanently and that Southeast be fined \$65,000.00. But the Administrator -- rather than dismissing the gossamer, eleventh hour proceeding that remained after the original charges were settled -- fined Southeast \$5,000.00 and issued a cease and desist order.

1. *The Administrator's Dispositive Findings of Fact*

The Final Order makes four fact findings that putatively support the Administrator's conclusions that Respondents violated Oklahoma securities laws and regulations: (1) Southeast failed to report timely and accurately the instant proceedings to FINRA's CRD (Final Order at p. 2, ¶¶ 9-10); (2) Southeast failed to timely report change of address information to the CRD (Final Order at p. 2, ¶ 11); (iii) Southeast permits its agents to call in orders to Southeast rather than "complet[ing]" and "submit[ting]" written orders to Southeast for approval (Final Order at p. 2-3, ¶¶ 12-13); and (iv) Southeast failed to show the Administrator that it conducted compliance interviews with Watkins and agent Lamar Guillory (Final Order at p. 3, ¶ 14).

2. *The Administrator's Conclusions of Law*

Aside from the conclusory statement that "Southeast and Black willfully failed to comply with the Act and with a rule adopted under the Act," the Administrator articulates three conclusions of law: (1) "Southeast failed to establish, maintain and/or enforce supervisory procedures," citing Okla. Dept. of Securities Rule 660:11-5-42(b)(22), but no Oklahoma statute; (2) "Black failed to enforce supervisory procedures to assure compliance with applicable securities laws," citing Rule 660:11-5-42(b)(22), but no Oklahoma statute; and (3) "Southeast

and Black failed to promptly file a correcting amendment of Watkin's change of address and the filing of the 2013 Recommendation on March 26, 2013," citing no authority.⁸

D. Numbered Statement of Dispositive Facts

The significant procedural facts are recounted in Part III.B hereinabove along with related, underlying transaction facts. A numbered statement of the dispositive facts follows, in accordance with ODS Rule 660:1-5-1(d)(1)(D). *See* also Part III.C above (summary and analysis of Administrator's findings and conclusions).

TOPIC 1: SUPERVISION GENERALLY

1. The Administrator correctly states (a) that Black is responsible for directly supervising all of Southeast's approximately 145 agents as well as its associated persons; (b) that Southeast agents are geographically dispersed throughout the United States; and (c) that many of the agents are "held out to be" independent contractors who conduct outside business activities;" Final Order at p. 2, ¶¶ 5-6.

2. Omitted from fact statements set forth in paragraph 1 above, and from the Final Order, is the fact that by far the majority of Southeast's brokers are financial advisors that sell insurance products and provide other services besides securities trading. Indeed, the majority of these brokers engage in only a handful of securities transactions annually. *See* Record at Tab 54, Ex. "E" (Black deposition testimony at pp. 24-25). There is no evidence in the record that Black or the Southeast personnel in Charlotte, North Carolina are unable to supervise the agents adequately, much less that they cannot supervise the *Oklahoma* agents adequately.

⁸ The third-cited "conclusion of law," on its face, is a statement of fact. In contrast to the first two conclusions, the Administrator does not state what Oklahoma statute or regulation was violated.

TOPIC 2: CRD UPDATES

3. In June 2013, Watkins directed Southeast to update his business and residential addresses on CRD. Neither Southeast nor Black updated Watkins' business and residential addresses until November 2013. *See* Final Order, p. 2, ¶ 1.

4. Regarding the statements set forth in paragraph 3 above, no customer is alleged to have relied upon the incorrect address information or been affected by the reporting delay.

5. Further regarding the statements set forth in paragraph 3 above, for the entire period of September 19, 2012 until April 30, 2014, Watkins refrained completely from any securities activity. This means that, during the entire “failure to report” period respecting Watkins’ addresses, Watkins was conducting no securities business at all. *See* Record at Tab 54, Ex. “C” and Ex. “D” and the more detailed record citations at Part III.B, pp. 6-7 above.

TOPIC 3: CUSTOMER ORDER PROCEDURES

6. The Administrator correctly states that (a) “[t]he WSPs provide that the agent shall complete order tickets and submit them to Black [i.e., the Designated Supervisory Principal] for approval” and that (b) “contrary to the WSPs, agents do not complete order tickets, but instead call in orders over the phone to one or more of Southeast's employees in the firm's Charlotte, North Carolina office.” Final Order at pp. 2-3, ¶¶ 12-13.

7. Omitted from the statements set forth in paragraph 6 above are these facts: Black, Southeast’s president, reviews every single order request and the firm itself actually places the order with Southeast’s clearing firm only after Black’s review. *See* discussion and Record references at Part IV.C.2.b *infra* (pages 20-22).

8. Southeast’s WSP relating to order supervision is based on NASD/FINRA Rule 3010. Neither FINRA nor its predecessor, the NASD, has ever issued any sanction against

Southeast predicated on improper procedures for placing customer orders. *See* discussion at Part IV.C.b (pages 20-21) *infra*.⁹

9. Also omitted from the statements set forth in paragraph 6 above is the fact that Black has knowledge of every Southeast customer's suitability profile, which profiles is taken into account in his consideration of every customer order. *See* Record at Tab 54, Ex. "E" (Black Depo testimony at p. 37, lines 3-18).

TOPIC 4: AGENT COMPLIANCE REVIEWS

10. The Final Order finds that "[t]he [Southeast] WSPs provide that Southeast will conduct annual compliance interviews with each of its agents and maintain a record of all interviews." The Administrator finds further that: "Respondents have not submitted any record of compliance interviews with Watkins and Guillory even though there were two separate discovery requests for such records." Final Order at p. 3, ¶ 14.

11. Regarding the statements set forth in paragraph 10 above, the record shows that both FINRA and Southeast provide compliance training to Southeast representatives. Southeast distributes many compliance materials throughout the year. *See* discussion and Record references at Part IV.C.3 *infra* (page 22).

12. Further regarding the statements set forth in paragraph 10 above, Southeast also requires bi-annual representative declarations. *See*, e.g., Record at Tab 54, Ex. "H" (Lamar

⁹ Copies of the FINRA rules relied upon by the Department (all contained within NASD/FINRA Rule 3010) are at Resp. App., Ex 5, along with NASD/FINRA Rule 1122. *See* Note 11 *infra*. On its face, Rule 3010 is analogous to ODS Rule 660:11-5-42(b)(22), which the Administrator cites as legal authority.

Guillory bi-annual declaration) and Ex. “I” (Watkins bi-annual declaration).¹⁰

13. Still further regarding the statements set forth in paragraph 10 above, Southeast also conducts an annual compliance meeting (interview) as required by FINRA rules. Record at Tab 54, Ex. “E” (Black Depo testimony at 75-76).

14. During the corporate history of Southeast, FINRA has audited Southeast nine (9) times and the SEC has audited Southeast four (4) times. Neither has ever sanctioned Southeast for any training compliance-review or supervisory deficiencies. *Id* at Ex. “F” (Black Affidavit).

IV. ARGUMENT AND AUTHORITIES

A. The Department Bears the Burden of Proof.

The Department bears the burden of proof in these proceedings. That burden has not been satisfied on the record and on the face of the Final Order. *See Thompson v. State ex rel. Bd. of Trustees of Okla. Pub. Empl. Ret. Sys.*, 264 P.3d 1251, 1255-56 (Okla. 2011) and cases collected in 73A C.J.S. PUBLIC ADMIN. LAW AND PROC. § 240 (West update 2013)(the “burden is on the one making the charges in disciplinary proceedings or where the issue is whether the party charged has committed an illegal or improper act, and this rule applies where the charge is made by the administrative body”).

¹⁰ The Administrator, repeating the Department’s allegation in its briefing, states that Respondents have failed to submit any “record of compliance interviews” to the Department. The Final Order does not find that the interviews *did not occur*. The sworn, uncontroverted testimony is that such interviews, with both Watkins and Lamar Guillory, were conducted. *See* Record, Tab 54 at Ex. “E,” deposition pages 75-76. Moreover, Respondents twice have submitted those agents’ pertinent bi-annual declarations, signed by the agents, which cover the waterfront of compliance issues. *See, e.g.*, Record, Tab 54, Exs. “H” and “I.” During the deposition cited above, Department counsel asked for copies of interview notes. *See id* at p. 76. Through oversight, Respondents’ counsel apparently did not deliver the notes, but, for the reasons stated herein, that occurrence should not be dispositive. *See* discussion at pages 22-23 *infra* regarding NASD/FINRA Rule 3010(a) and Southeast’s compliance-review procedures.

B. Southeast's delay in reporting address information and the pendency of this proceeding did not violate any statute or regulation.

The Administrator's Conclusions of Law cite no specific Oklahoma statute, but the "Authorities" section of the Final Order quotes verbatim § 1-406 of the Oklahoma Securities Act, 71 O.S. § 1-406. The Final Order relies *directly*, however, upon Rule 660:11-5-42(22) only. According to the Department's brief of July 23, 2014 (apparently relied upon by the Administrator), § 1-406(B) of the Act provides that "if any information filed in a registrant's application becomes inaccurate, he shall promptly file a correcting amendment." *See* Record at Tab 43, p. 15. Here is what the cited statute *actually* provides:

If the information contained in an application that is filed under subsection A of this section is or becomes inaccurate or incomplete *in any material respect*, the registrant shall promptly file a correcting amendment.

(emphasis added). It is easy to understand why the Department chose to omit the italicized language in its brief to the Administrator. It undercuts the Department's hypertechnical basis for disciplinary action. Nevertheless the Administrator proceeded to take action against the Respondents, albeit less drastic action than the Department sought.

Like the similar FINRA rule,¹¹ § 1-406(B) on its face incorporates a materiality condition. Perhaps one reason the Legislature included that condition was to prevent the rule's use as a cudgel by overzealous regulators. Southeast's violations of the quoted statute, according to the Department and the Final Order were these: (i) it failed to update Watkins' CRD office

¹¹ The Department quotes FINRA Rule 1122 (included in the Resp. App., Ex. 5) as follows: "No member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate *so as to be misleading*, or which could in any way tend to mislead, or fail to correct such filing after notice thereof" (emphasis added). Record at Tab 43, p. 15.

address and (ii) it failed to report the instant proceedings to the CRD “promptly.” Both eventually were reported.¹² In the meantime, no customer or anyone else was deprived of any information that would, by any realistic assessment, influence any customer. (The Department has not discovered a single customer complaint against Watkins, Southeast or Black, nor has the Department received any such complaint). Indeed there has never been any allegation in any phase of these proceedings that any customer has ever been misled, harmed or even made unhappy, much less that any customer funds have been misappropriated. The CRD filings were not inaccurate or incomplete *in any material respect*.

C. Southeast’s supervisory procedures do not violate any statute, regulation, or NASD/FINRA rule.

1. *No Oklahoma statute or regulation sets forth specific requirements regarding supervision of agents or the contents of written supervisory procedures.*

The Final Order cites a single regulation, Rule 660:11-5-42(b)(22). According to the Department, that regulation “specifically requires a broker-dealer to establish, maintain, and enforce written procedures to supervise the activities of each of its registered agents and associated persons.” Record at Tab 43, page 7. Of course, it is undisputed in these proceedings that Southeast has adopted written procedures. To the extent that the stringency of those procedures exceed legal requirements (including even “incorporated” requirements of

¹² The Department’s complaint about the late change of Watkins’ address is especially trivial and technical. As the record reveals, Watkins did not conduct any securities business at all between September 19, 2012 and his reinstatement in the spring of 2014. See Record at Tab 1 (3-26-13 Recommendation) at p. 4, ¶ 24 and Record at Tab 54, Exhibits “C” (Watkins testimony concerning sales activities) and “D” (customer affidavits). Plainly the address information could not have affected any customer during the year and a half that Watkins was not engaged in the transaction of securities business.

FINRA/NASD rules), “violations” of the WSPs have no legal effect.¹³ The reality, however, is that Southeast has complied with its WSPs in every *material* respect and with the statutes and regulations in all respects. *See* Record at Tab 42 (Respondents’ July 15, 2014 brief and attached exhibits).

Overwhelmingly, the procedural requirements upon which the Department based the 6-20-14 Recommendation for suspension of Respondents are contained in FINRA/NASD requirements incorporated by reference in the statutes and regulations. *See* Record at Tab 43, p. 7 (where the Department invokes NASD/FINRA rules alleged to be incorporated in Commission Rule 660:11-5-42(b)(1)).¹⁴ One might think that FINRA itself would be best suited to understand the underlying intent of, and to see to the enforcement of, its own rules. Of course FINRA (and before it, the NASD) does exactly that. Southeast is regularly examined by FINRA and the Securities & Exchange Commission, each of which sends examiners to the Southeast home office for on-site examinations. Southeast is on a two-year inspection cycle with FINRA and has been since it commenced business on July 1, 1997. Hence Southeast has been subjected to nine (9) FINRA inspections including a 2014 inspection. During the same time period, the

¹³ According to FINRA, that organization is “not part of the government.” *See* <http://www.finra.org/AboutFINRA/>. FINRA is, instead, “an independent, not-for-profit organization authorized by Congress to protect America’s investors by making sure the securities industry operates fairly and honestly.”

¹⁴ Again Rules 660:11-5-42(b)(1), (b)(22)(A) and (b)(22)(B) contain no real specifics. The last cited regulation provides that “responsibility for proper supervision shall rest with the broker-dealer . . . to carry out the supervisory responsibilities assigned to that office by the . . . rules and regulations of the NASD.”

SEC has inspected Southeast four (4) times. None of those inspections has ever resulted in any sanction of Southeast of any kind. *See* Record at Tab 54, “F” (Affidavit of Frank Black).¹⁵

It is not entirely clear why the Administrator has concluded that the Department has a better understanding of the purposes and proper application of FINRA’s rules than FINRA itself, especially given the fact that the Department has never conducted an on-site review of Southeast. Be that as it may, the (again purely procedural) FINRA/NASD rules that the Department says Southeast violated are surveyed and discussed below.

2. *Respondents have complied with the applicable FINRA rules relating to supervision generally and to review of broker-submitted securities transactions.*

The NASD/FINRA rules that form the basis for the 6-20-14 Recommendation’s complaints about Southeast’s supervision generally and about its order procedures -- and which in turn apparently are the bases for the Final Order’s findings and conclusion on those subjects -- are discussed below.

- a. Agent supervision generally: NASD Rule 3010(a)(3)

The Department informed the Administrator that “NASD Rule 3010 specifies the minimum requirements of an acceptable supervisory system” Record at Tab 43, p 7. But the FINRA rule is not cookie cutter. Rather, it has the flexibility to take into account the particular scope and peculiarities of a particular broker-dealer’s operations. The Department’s central criticism of Southeast (which apparently forms the basis of the Administrator’s

¹⁵ Indeed in the 17-year history of Southeast and after numerous SEC and FINRA examinations, neither the SEC nor FINRA has ever charged Southeast with a violation of failing to supervise its agents. Moreover, Southeast is registered in all fifty states, yet no other state securities regulator has ever charged Southeast with a failure to supervise its agents. The record establishes that Southeast has complied with all Oklahoma regulations in all material particulars and in keeping with the underlying intent of the Department’s and FINRA’s regulations.

Conclusion of Law No. 2) appears to be this: Southeast cannot possibly keep up with its far-flung network of agents without additional OSJs and additional day-to-day supervisors.¹⁶ It ignores the facts on the ground: by far the majority of Southeast's brokers are financial advisors that sell insurance products and provide other services besides securities trading. Indeed, the majority of these brokers engage in only a handful of securities transactions annually. *See* Record, Tab 54, Ex. "E" (deposition testimony of Frank Black at pp. 24-25). All securities transactions are in fact reviewed by Black or others in Charlotte, North Carolina (Southeast's home office) and the supervisors are not overwhelmed or even "whelmed." The Department proffered no evidence to the Administrator to the contrary and offered no explanation as to why FINRA itself is unperturbed by Southeast's system. The Administrator has acted against Southeast in the face of the contrary decision by the very entity that wrote the rule that Southeast has supposedly traduced.

The applicable NASD rule – Rule 3010(a)(3) -- actually sets forth a series of nonexclusive factors that the broker-dealer should consider in determining whether multiple OSJs are needed:

. . . Each member shall also designate such other OSJs *as it determines to be necessary* in order to supervise its registered representatives, registered principals, and other associated persons

¹⁶ Given the broad generality of the Administrator's conclusion that "Southeast failed to establish, maintain and/or enforce supervisory procedures to enable the firm to assist compliance with applicable securities laws," it is hard to know what exactly is encompassed in the alleged failure to supervise. Respondents assume that the Administrator's conclusion does *not* encompass any failure to impose "heightened supervision" upon Watkins. Southeast complied with that directive by requiring Watkins to report through Lamar Guillory until the settlement agreement between Watkins and the Department of April 30, 2014 (Record at Tab 33) took effect. Under that agreement, Watkins' activities are monitored by an independent consulting firm approved by the Department. There is no allegation in the record that Watkins has failed to honor the settlement agreement or that Southeast has committed any violation of any kind related to that agreement.

in accordance with the standards set forth in this Rule, taking into consideration the following factors:

- (A) whether registered persons at the location engage in retail sales or other activities involving regular contact with public customers;
- (B) whether a substantial number of registered persons conduct securities activities at, or are otherwise supervised from, such location;
- (C) whether the location is geographically distant from another OSJ of the firm;
- (D) whether the member's registered persons are geographically dispersed; and
- (E) whether the securities activities at such location are diverse and/or complex.

(emphasis added).

Southeast has in fact considered these factors, particularly factor (B), in conjunction with the closely-related fact that the “registered persons” at each nonbranch office themselves engage in only a few securities transactions per year. Southeast has not violated Rule 3010(a). It has instead run afoul of the Department’s unilateral conclusion, now enshrined in the Final Order, about how Southeast ought to run its business.

b. Review of transactions: NASD Rule 3010(d)(1)

According to the Department, NASD Rule 3010(d) “specifically requires a broker-dealer to make provisions for the review of all transactions.” Record at Tab 43, p. 12. The Department suggests that, in order to comply with the FINRA/NASD rule, the broker-dealer must adhere to its own WSPs to the letter. Again it is helpful to consult the actual language of the rule invoked. FINRA Rule 3010(d)(1) provides in pertinent part:

Each member shall establish procedures for the review and endorsement by a registered principal in writing, on an internal record, of all transactions . . . of its registered representatives with the public relating to the investment banking or securities business of such member. Such procedures should be in writing *and be designed to reasonably supervise each registered representative*. Evidence that these supervisory procedures have been implemented and carried out must be maintained and made available to the Association upon request.

(emphasis added).

No reasonable examiner would deem the review procedure that Frank Black has described to contravene the standard quoted above and, of course, no FINRA examiner has ever done so. *See* Record at Tab 39 (Respondents' Objection of June 19, 2014) at p. 5, ¶ 9 (describing Black's detailed review of each broker order) and Record at Tab 54, Ex. "E" (Black deposition testimony at p. 34, line 22 to p. 39, line 13). The truth is that Southeast's transaction review protocol is far more stringent than most SEC/FINRA-regulated firms. Southeast's president and principal owner reviews every single order request and the firm itself actually places the order only after review by the President, the Chief Compliance Officer and the Designated Supervisory Principal. Neither would an objective examiner find Southeast's suitability review procedures deficient.

The Administrator's Conclusions of Law Nos. 1 and 2 find no support in the record. Indeed the record refutes those conclusions. The actual examiners -- *from the organization that promulgated the subject rule* -- have never issued any sanction against Southeast, for this or any other supposed infraction. That the Oklahoma Department of Securities would do so based on FINRA's own rule -- and in the face of FINRA's own contrary decision -- makes no sense.

c. Maintaining written procedures: NASD Rule 3010(b)

The Department argued to the Administrator that “NASD Rule 3010 also requires that the firm's supervisory system must be set forth in written supervisory procedures.” Record at Tab 43, p. 11. Southeast has done that. As discussed herein, the Department’s real beef here is not that Southeast has failed to comply with any statute, any regulation, or even any FINRA/NASD rule. It is that Southeast has (allegedly) failed to comply with the letter of its own WSPs. Not only has Southeast’s substantial compliance with the WSPs been shown, the very promulgator of the very rule requiring “establishment and maintenance” of WSPs (FINRA) has conducted on-site reviews of Southeast’s compliance procedures nine times since it commenced business in 1997. The review has encompassed not just compliance with Southeast’s own WSPs, but with the underlying FINRA rules that the WSPs are meant to implement. That agency, FINRA, has taken no action against Southeast. The rule itself -- NASD Rule 3010(b) -- requires only that WSPs be “*reasonably designed to achieve* compliance with applicable securities laws and regulations, and with the applicable Rules of NASD” (emphasis added). The ODS stands alone in its finding that Southeast has failed in its supervisory and other day-to-day procedures.

3. *Southeast has conducted regular and adequate compliance training and reviews.*

Regarding compliance reviews, the Final Order finds:

The WSPs provide that Southeast will conduct annual compliance interviews with each of its agents and maintain a record of all interviews. Respondents have not submitted any record of compliance interviews with Watkins and Guillory even though there were two separate discovery requests for such records.

Final Order (Resp. App., Ex. 1) at p.3, ¶ 14.

The Administrator's fact finding does not support his Conclusions of Law Nos. 1 and 2. Both FINRA itself and Southeast provide compliance training to Southeast representatives. Southeast distributes many compliance materials throughout the year. That is scarcely a basis for *criticism* of Southeast. But Southeast also requires bi-annual representative written declarations. *See* Record at Tab 54, appendix to Respondents' brief of Aug. 29, 2014 at Ex. "H" (Guillory bi-annual declaration) and Ex. "I" (Watkins bi-annual declaration). Southeast also conducts an annual compliance meeting as required by FINRA rules. *Id* at Ex. "E" (Depo of Frank Black at pp. 75-76).

Again FINRA and the SEC, together, have audited Southeast *thirteen times* in its corporate life and neither has ever sanctioned Southeast for any training or compliance-review deficiencies. *Id*. It is easy to see why those results have been achieved when the intent of the NASD/FINRA rules – an intent revealed on the face of those rules -- is considered. NASD/FINRA Rule 3010(a) provides that "the member shall establish and maintain a system to supervise the activities of each registered representative . . . and other associated persons that is *reasonably designed to achieve compliance* with applicable securities laws and regulations . . ." (emphasis added). No fair assessment of Southeast's compliance-review procedures would conclude that Respondents have not met the "reasonably-designed-to-achieve-compliance" test that permeates all of the FINRA procedural rules.

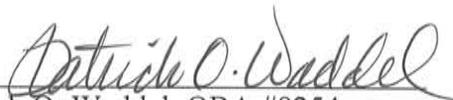
V. CONCLUSION

The Final Order tacitly rejects many of the putative bases for the exceedingly harsh sanctions that the Department urged upon the Administrator (e.g., supposed inadequate monitoring of agent e-mails). That order quite plainly rejects the harsh sanctions themselves in

favor of a cease-and-desist order and a fine one-twelfth of that urged by the Department. But the unfortunate reality remains that the Administrator's actions, if not set aside, will be reported on Respondent's CRD information and will harm their reputations with potential customers and in the marketplace at large. For that reason, and more importantly for the merits reasons advanced herein, the Final Order should be set aside in all particulars and this proceeding, accordingly, should be dismissed with prejudice.

Respectfully submitted,

Dated: November 19, 2014



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*Counsel for Frank H. Black and Southeast
Investments, N.C. Inc.*

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 19th day of November, 2014, a true and correct copy of the above and foregoing *Respondents' Brief in Support of their Petition for Review of Administrator's Order to Cease and Desist and Imposing Civil Penalties* was sent in the following manner to the specified individuals:

By FedEx Express for delivery on November 20, 2014 addressed to:

Irving L. Faught, Administrator
Oklahoma Department of Securities
120 North Robinson, Ste. 860
Oklahoma City, OK 73102

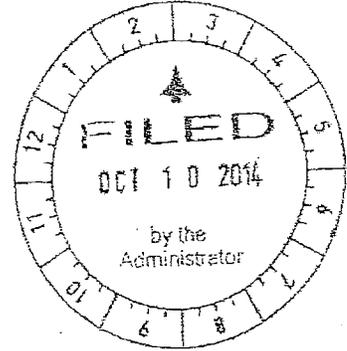
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Patrick O. Waddel

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In the Matter of:

Rodney Larry Watkins, Jr. (CRD #3091936);
Southeast Investments, N.C. Inc. (CRD #43035); and
Frank H. Black (CRD #22451);

Respondents.

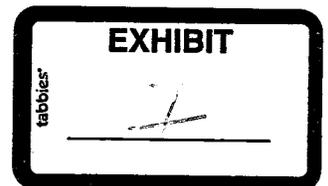
ODS File No. 12-058

ORDER TO CEASE AND DESIST AND IMPOSING A CIVIL PENALTY

On March 26, 2013, the Enforcement Division of the Oklahoma Department of Securities (Department) filed a recommendation under the Oklahoma Uniform Securities Act of 2004 (Act), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011), alleging that Rodney Larry Watkins, Jr. (Watkins) violated a previous order of the Administrator of the Department (Administrator) by transacting business in and/or from the state of Oklahoma as an agent without the benefit of registration under the Act and that Frank H. Black (Black) and Southeast Investments, N.C. Inc. (Southeast) failed to supervise Watkins in violation of 660:11-5-42 of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (Rules), Okla. Admin. Code §§ 660:1-1-1 through 660:25-7-1 (2013 Recommendation).

On April 30, 2014, the Department entered into an agreement with Watkins, leaving only Southeast and Black as parties. In discovery, Southeast and Black provided the Department with copies of Southeast's Written Supervisory Procedures dated August 2013 (WSPs). The Department, in April and May of 2014, deposed Black, Watkins, and Lamar Guillory (Guillory), another agent of Southeast who is located in Oklahoma. On June 20, 2014, the Department supplemented its 2013 Recommendation to allege that Southeast failed to establish, maintain and enforce written procedures that enable Southeast to properly supervise the activities of Southeast's registered agents and associated persons to assure compliance with applicable securities laws, rules, and regulations (Supplemental Recommendation). Black and Southeast (collectively, Respondents) filed their response to the Supplemental Recommendation on July 15, 2014 (Response). The parties have filed various additional pleadings but ultimately agreed to submit the case on the documentary record and waived their rights to appear at a hearing.

NOW, THEREFORE, the Administrator hereby enters this Order:



FINDINGS OF FACT

1. Southeast became registered as a broker-dealer on May 8, 2009, under the Act, and has been a member of the Financial Industry Regulation Authority (FINRA) since July 1, 1997.
2. Black, a South Carolina resident, is the owner and control person of Southeast. In addition to these duties, Black is Southeast's Chief Compliance Officer, Financial and Operations Principal, and "Designated Supervisory Principal" (the title used to designate particular authority and responsibilities in Southeast's WSPs). Black is not and has not been registered under the Act in any capacity.
3. Watkins was first registered as an agent under the Act in December 1998. From March 2009 until October 2011, Watkins was registered as an agent of Ameriprise Financial Services, Inc. (AFS). Watkins was allowed to resign as a result of an internal AFS investigation. AFS filed a Uniform Termination Notice for Securities Industry Registration (Form U-5) with CRD stating that Watkins had violated the firm's policies relating to "discretionary power; unacceptable activities/transactions; pre-signed forms and applications; forgery; signature stamps; and other signature issues and annuity overview." Watkins became an agent of Southeast in February of 2012 and designated an address in Tulsa, Oklahoma as his business address.
4. Southeast's principal place of business located in Charlotte, North Carolina is designated as Guillory's and Watkins' office of supervisory jurisdiction.
5. Black is responsible for directly supervising all of Southeast's approximately one hundred and forty-five (145) agents as well as its associated persons from Southeast's principal place of business.
6. The Southeast agents are geographically dispersed throughout the United States, mostly in one- or two-agent offices. Many of the agents are held out to be independent contractors who conduct outside business activities.
7. For purposes of supervision, Southeast does not maintain a system of branch offices or regional offices of supervisory jurisdiction, but instead relies entirely on Black, individually, to supervise all agents other than himself.
8. The WSPs provide that Southeast and Black must report to CRD any disclosable event, including administrative actions, within ten (10) days of the event.
9. Southeast and Black did not timely report the proceeding on the 2013 Recommendation on CRD with regards to Watkins.
10. When Southeast and Black did report the 2013 Recommendation, the filing was inaccurate as to the date, the basis and the conditions of the action.
11. In June 2013, Watkins directed Southeast to update his business and residential addresses on CRD. Neither Southeast nor Black updated Watkins' business and residential addresses until November 2013, leaving Watkins' CRD profile inaccurate during this period.
12. The WSPs provide that the agent shall complete order tickets and submit them to Black for approval.

13. Contrary to the WSPs, agents do not complete order tickets, but instead call in orders over the phone to one or more of Southeast's employees in the firm's Charlotte, North Carolina office.

14. The WSPs provide that Southeast will conduct annual compliance interviews with each of its agents and maintain a record of all interviews. Respondents have not submitted any record of compliance interviews with Watkins and Guillory even though there were two separate discovery requests for such records.

15. On August 6, 2014, the Administrator conducted a pre-hearing conference wherein the parties agreed to waive their right to an oral hearing and to have this matter submitted on the documentary record as provided for by Section 660:2-9-2(g) of the Rules. Therein the Administrator directed that the parties submit any additional evidence or argument to be considered as part of the documentary record no later than August 29, 2014.

16. Attached as Exhibit A is a listing of the contents of the Hearing Notebook that serves as the Designation of Record for use in consideration of the instant matter.

17. To the extent any of these Findings of Fact are more properly characterized as Conclusions of Law, they should be so considered.

AUTHORITIES

1. 660:11-5-42 of the Rules states in pertinent part:

(a) Purpose. This rule is intended to set forth the standards of ethical practices for broker-dealers and their agents. Any noncompliance with the standards of ethical practices specified in this section will constitute unethical practices in the securities business; however, the following is not intended to be a comprehensive listing of all specific events or conditions that may constitute such unethical practices. The standards shall be interpreted in such manner as will aid in effectuating the policy and provisions of the Securities Act, and so as to require that all practices of broker-dealers, and their agents, in connection with their activities in this state shall be just, reasonable and not unfairly discriminatory.

(b) Standards.

(1) A broker-dealer and his agents, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade. A broker-dealer and his agents shall not violate any federal securities statute or rule or any rule of a national securities exchange or national securities association of which it is a member with respect to any customer, transaction or business effected in this state.

* * *

(22) The following standards shall apply to supervisory procedures:

(A) Each broker-dealer shall establish, maintain and enforce written procedures which will enable it to supervise properly the activities of each registered agent and associated person to assure compliance with applicable securities laws, rules, regulations and statements of policy promulgated by the Administrator and/or the Commission under the Securities Act.

(B) Final responsibility for proper supervision shall rest with the broker-dealer, the principal(s) of the broker-dealer registered in accordance with 660:11-5-11, and the principal(s) of the broker-dealer in each OSJ, including the main office, and the registered representatives in each non-OSJ branch office designated by the broker-dealer to carry out the supervisory responsibilities assigned to that office by the broker-dealer pursuant to the rules and regulations of the NASD [now FINRA]. A copy of the written supervisory procedures shall be kept in each office of supervisory jurisdiction and each non-OSJ branch office.

(C) Each broker-dealer shall be responsible for keeping and preserving appropriate records for carrying out such broker-dealer's supervisory procedures. Each broker-dealer shall review and endorse in writing, on an internal record, all transactions and all correspondence of its registered agents pertaining to the solicitation or execution of any securities transaction.

(D) Each broker-dealer shall review the activities of each office, which shall include the periodic examination of customer accounts to detect and prevent irregularities or abuses and conduct at least an annual inspection of each office of supervisory jurisdiction.

(E) Each broker-dealer shall have the responsibility and duty to ascertain by investigation the good character, business repute, qualifications and experience of any person prior to making such a certification in the application of such person for registration under the Securities Act.

2. Section 1-406 of the Act states in pertinent part:

A. A person shall register as a broker-dealer, agent, investment adviser, or investment adviser representative by filing an application that contains:

1. The information required for the filing of a uniform application, a consent to service of process complying with Section 49 of this act [Section 1-611 of this title], the fee specified in Section 50 of this act [Section 1-612 of this title] and any reasonable fees charged by the designee of the Administrator for processing the filing; and

2. Upon request by the Administrator, any other financial or other information that the Administrator determines is appropriate.

B. If the information contained in an application that is filed under subsection A of this section is or becomes inaccurate or incomplete in any material respect, the registrant shall promptly file a correcting amendment.

3. Section 1-604 of the Act states in pertinent part:

A. If the Administrator 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 this act or a rule adopted or order issued under this act or constituting a dishonest or unethical practice or that a person has materially aided, is materially aiding, or is about to materially aid an act, practice, or course of business constituting a violation of this act or a rule adopted or order issued under this act or constituting a dishonest or unethical practice, the Administrator may:

1. 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 this act;

2. Issue an order denying, suspending, revoking, or conditioning the exemptions for a broker-dealer under subparagraph d or f of paragraph 1 of subsection B of Section 18 of this act [Section 1-401 of this title] or an investment adviser under subparagraph c of paragraph 2 of subsection B of Section 20 of this act [Section 1-403 of this title]; or

3. Issue an order under Section 9 of this act [Section 1-204 of this title].

* * *

D. In a final order under subsection C of this section, the Administrator may impose a civil penalty up to a maximum of Five Thousand Dollars (\$5,000.00) for

a single violation or up to Two Hundred Fifty Thousand Dollars (\$250,000.00) for multiple violations in a single proceeding or a series of related proceedings.

4. Section 1-411 of the Act states in pertinent part:

C. If the Administrator finds that the order is in the public interest and paragraphs 1 through 6, 8, 9, 10, 12 or 13 of subsection D of this section authorizes the action, an order under this act may censure, impose a bar, impose a civil penalty in an amount not to exceed a maximum of Five Thousand Dollars (\$5,000.00) for a single violation or Two Hundred Fifty Thousand Dollars (\$250,000.00) for multiple violations on a registrant, and/or recover the costs of the investigation from a registrant and if the registrant is a broker-dealer . . . , from any partner, officer, or director, any person having a similar function or any person directly or indirectly controlling the . . . broker-dealer.

D. A person may be disciplined under subsections A through C of this section if the person:

* * *

2. Has willfully violated or willfully failed to comply with this act or the predecessor act or a rule adopted or order issued under this act or the predecessor act within the previous ten (10) years;

* * *

8. Has failed to reasonably supervise an agent, investment adviser representative, or other individual, if the agent, investment adviser representative, or other individuals was subject to the person's supervision and committed a violation of this act or the predecessor act or a rule adopted or order issued under this act or the predecessor act within the previous ten (10) years;

* * *

13. Has engaged in dishonest or unethical practices in the securities . . . business within the previous ten (10) years[.]

CONCLUSIONS OF LAW

1. Southeast failed to establish, maintain and/or enforce supervisory procedures to enable the firm to assist compliance with applicable securities laws in violation of 660:11-5-42(b)(22) of the Rules.

2. Black failed to enforce supervisory procedures to assure compliance with applicable securities laws in violation of 660:11-5-42(b)(22) of the Rules.

3. Southeast and Black failed to promptly file a correcting amendment of Watkin's change of address and the filing of the 2013 Recommendation on March 26, 2013.

4. Southeast and Black willfully failed to comply with the Act and with a rule adopted under the Act. Such conduct constitutes dishonest and unethical practices in the securities business.

5. The Administrator is authorized, pursuant to Section 1-604 of the Act, to issue an order directing Respondents to cease and desist from engaging in the acts, practices, and courses of business necessary to comply with this act.

6. The Administrator is also authorized, pursuant to Sections 1-411 and 1-604 of the Act, to suspend any registration, impose a censure, impose a bar, and/or impose a civil penalty against Southeast and Black.

7. It is in the public interest for the Administrator to direct that Southeast and Black take the necessary steps to come into compliance with the Act and Rules.

8. It is in the public interest for the Administrator to impose a civil penalty against Black and Southeast.

To the extent any of these Conclusions of Law are more properly characterized as Findings of Fact, they should be so considered.

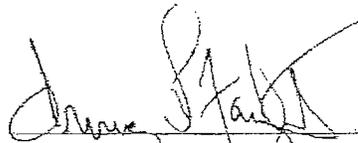
ORDER

IT IS HEREBY ORDERED Southeast and Black cease and desist from their violations of the act in failing to establish, maintain and/or enforce supervisory procedures to enable the firm to assist compliance with applicable securities law.

IT IS HEREBY FURTHER ORDERED that Respondents Southeast and Black jointly pay a monetary penalty in the amount of \$5,000 to the Department, by cashier's check or money order within ninety (90) days of the date of this order.

Witness my Hand and the Official Seal of the Oklahoma Department of Securities this 10th day of October, 2014.

(SEAL)



IRVING L. FAUGHT, ADMINISTRATOR OF THE
OKLAHOMA DEPARTMENT OF SECURITIES

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 10th day of October, 2014, true and correct copies of the above and foregoing *ORDER TO CEASE AND DESIST AND IMPOSING A CIVIL PENALTY* were sent in the following manner to the specified individuals:

By electronic mail and mailed with postage prepaid thereon, addressed to:

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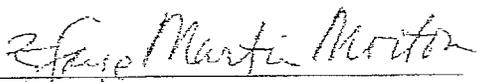

Z. Faye Martin Moriton, General Counsel

EXHIBIT A

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
FIRST NATIONAL CENTER
120 NORTH ROBINSON, SUITE 860
OKLAHOMA CITY, OKLAHOMA 73102

In the Matter of:

Rodney Larry Watkins, Jr. (CRD #3091936);
Southeast Investments, N.C. Inc. (CRD #43035); and
Frank H. Black (CRD #22451);

Respondents.

ODS File No. 12-058

HEARING NOTEBOOK

- A. Oklahoma Uniform Securities Act of 2004 ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011)
- B. Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (as amended July 1, 2007)
 1. Enforcement Division Recommendation, *filed with the Administrator on March 26, 2013*
 2. Notice of Request for Hearing by Rodney Larry Watkins, *filed with the Administrator on April 15, 2013*
 3. Notice of Request for Hearing by Southeast Investments, N.C. Inc. and Frank H. Black, *filed with the Administrator on April 15, 2013*
 4. Order Setting Hearing, *filed by the Administrator on May 9, 2013*
 5. Order Striking Hearing, *filed by the Administrator on October 22, 2013*
 6. Order Setting Scheduling Conference, *filed by the Administrator on October 23, 2013*
 7. Respondents' Motion Requesting Rescheduling of Telephone Scheduling Conference, *filed with the Administrator on October 23, 2013*
 8. Order Resetting Scheduling Conference, *filed with the Administrator on October 25, 2013*
 9. Agreed Scheduling Order, *filed by the Administrator on November 4, 2013*
 10. Respondents' Motion for Summary Disposition, *filed with the Administrator on December 2, 2013*
 11. Department's Preliminary List of Witnesses and Exhibits, *filed with the Administrator on December 11, 2013*
 12. Department's Motion to Toll Time to File Response to Respondents' Motion for Summary Disposition, *filed with the Administrator on December 17, 2013*

13. Agreed Order Tolling Time to File Response to Respondents' Motion for Summary Disposition, *filed by the Administrator on December 17, 2013*
14. Respondents' Motion for Order Compelling Response to his Motion for Summary Disposition and for Related Relief, *filed with the Administrator on February 27, 2014*
15. Department's Response to Respondents' Motion for Summary Disposition and Department's Motion for Summary Decision, *filed with the Administrator on February 28, 2014*
16. Respondents' Reply Brief in Support of their Motion for Summary Disposition and in Opposition to the Department's Motion for Summary Decision, *filed with the Administrator on March 6, 2014*
17. Order Denying Respondents' Motion for Summary Disposition and Department's Motion for Summary Decision, *filed by the Administrator on March 10, 2014*
18. Department's Motion for Resolve Discovery Issues and Request for Hearing, *filed with the Administrator on March 26, 2014*
19. Order Setting Hearing, *filed by the Administrator on March 26, 2014*
20. Subpoena Duces Tecum issued to Rodney Watkins, filed by the Administrator on March 31, 2014
21. Department's Notice of Deposition of Rodney Watkins, *filed with the Administrator on April 1, 2014*
22. Order Resolving Discovery Issues, *filed by the Administrator on April 1, 2014*
23. Subpoena to produce documents, appear and testify issued to Lamar Monta Guillory, *filed by the Administrator on April 1, 2014*
24. Subpoena to produce documents issued to Regus Mgmt. Group, LLC, *filed by the Administrator on April 2, 2014*
25. Subpoena to appear and testify issued to Sharmien Watkins, *filed by the Administrator on April 2, 2014*
26. Subpoena to produce documents, appear and testify issued to Lamar Monta Guillory, *filed by the Administrator on April 3, 2014*
27. Department's Notice of Deposition of Frank H. Black, *filed with the Administrator on April 3, 2014*
28. Subpoena to produce documents to CPA Site Solutions, *filed by the Administrator on April 7, 2014*
29. Subpoena to appear and testify issued to Jeanette Roberts, *filed by the Administrator on April 7, 2014*
30. Subpoena to appear and testify issued to Dominique Black, *filed by the Administrator on April 7, 2014*
31. Respondents' Motion to Quash Subpoena Duces Tecum Directed to Rodney L. Watkins, Jr., *filed with the Administrator on April 8, 2014*
32. Respondents' Motion to Compel Production of Documents, *filed with the Administrator on April 11, 2014*
33. Agreement of Rodney Larry Watkins Jr., *filed by the Administrator on April 30, 2014*

34. Subpoena to appear and testify issued to Rodney Larry Watkins, *filed by the Administrator on April 30, 2014*
35. Subpoena to appear and testify issued to Jeanette Roberts, *filed by the Administrator on April 30, 2014*
36. Subpoena to appear and testify issued to Dominique Black, *filed by the Administrator on April 30, 2014*
37. Notice of Deposition of Frank H. Black, *filed with the Administrator on April 30, 2014*
38. Department's Motion for Leave to Supplement Recommendation, *filed with the Administrator on June 10, 2014*
39. Southeast Investments, N.C. Inc. and Frank Black Response and Objection to the Department's Motion for Leave to Supplement Recommendation, *filed with the Administrator on June 19, 2014*
40. Order [granting ODS' Motion for Leave to Supplement Recommendation], *filed by the Administrator on June 20, 2014*
41. Department's Supplemental Enforcement Division Recommendation, *filed with the Administrator on June 20, 2014*
42. Southeast Investment's & Frank Black's Motion to Dismiss Supplemental Enforcement Division Recommendation and Alternative Response to the Same of Respondents Southeast Investment, N.C. Inc. and Frank H. Black, *filed with the Administrator on July 15, 2014*
43. Department's Motion for Summary Decision, *filed with the Administrator on July 23, 2014*
44. Department's Response to Respondents' Motion to Dismiss Supplemental Enforcement Division Recommendation, *filed with the Administrator on July 25, 2014*
45. Scheduling Order, *filed by the Administrator on July 29, 2014*
46. Department's Final List of Witnesses and Exhibits, *filed with the Administrator on August 4, 2014*
47. Respondents' Response to Department's Motion for Summary Disposition and Renewed Motion to Dismiss Supplemental Recommendation, *filed with the Administrator on August 4, 2014*
48. Respondents' Motion for Recusal of Administrator and for Appointment of Neutral Hearing Officer, *filed with the Administrator on August 4, 2014*
49. Department's Response to Respondents' Motion for Recusal of Administrator and for Appointment of Neutral Hearing Officer, *filed with the Administrator on August 6, 2014*
50. Order Denying Respondents' Motion for Recusal of Administrator and for Appointment of Neutral Hearing Officer, *filed by the Administrator on August 6, 2014*
51. Respondents' Final List of Witnesses and Exhibits, *filed with the Administrator on August 7, 2014*
52. Pre-Hearing Conference Order, *filed by the Administrator on August 12, 2014*
53. Department's Final Argument, *filed with the Administrator on August 29, 2014*
54. Respondents' Consolidated Response to Department's Motion for Summary Disposition and Renewed Motion for Judgment on Supplemental Recommendation, *filed with the Administrator on August 29, 2014*

55. Southeast Investments, N.C. Inc. Written Supervisory Procedures August 2013, *produced by Respondents, Bates Nos. SE-00087 through SE-00147*

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
THE FIRST NATIONAL CENTER
120 N. ROBINSON, SUITE 860
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

Rodney Larry Watkins, Jr. (CRD #3091936)

Respondent.

ODS File No. 12-058

ENFORCEMENT DIVISION RECOMMENDATION

Pursuant to Section 1-602 of the Oklahoma Uniform Securities Act of 2004 ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011), and 660:11-5-43 of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities ("Rules") (effective July 1, 2007), Okla. Admin. Code §§ 660:1-1-1 through 660:25-7-1, the Oklahoma Department of Securities (Department) conducted an investigation of certain activities of Rodney Larry Watkins, Jr. (Watkins) in connection with the offer and/or sale of securities in and/or from Oklahoma. Based thereon, the Enforcement Division of the Department submits the following Findings of Fact, Authorities, and Conclusions of Law to the Administrator of the Department (Administrator) in support of sanctions against Respondent Watkins.

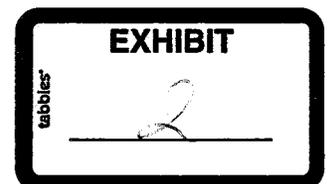
Findings of Fact

1. Watkins first registered as a broker-dealer agent under the Oklahoma securities laws in December 1998. Watkins was registered as a broker-dealer agent and an investment adviser representative of Ameriprise Financial Services, Inc. (AFS) from March 2009 to October 2011. Watkins is currently employed by Southeast Investments, N.C., Inc. and filed for broker-dealer agent registration under the Act on February 24, 2012. The registration is pending.

2. In July 2011, AFS's surveillance unit flagged Watkins on its "turnover/velocity report". As a result, an AFS surveillance analyst contacted a Watkins' client who indicated she had not been informed by Watkins of recent trades in her account. An investigation was then conducted by AFS.

AFS Investigation

3. AFS conducted a series of investigatory interviews of Watkins in his Tulsa, Oklahoma office from August 3rd through 5th, 2011.



4. Watkins admitted to exercising discretion in multiple client accounts. Watkins stated he would discuss strategy with clients and obtain their general consent to make unspecified trades in their accounts.

5. Watkins did not have written discretionary trading authorization with respect to his clients.

6. Watkins admitted to being involved in two limited liability companies. These companies and/or their activities were not disclosed by Watkins to AFS as outside business activities.

7. During the course of the AFS investigation, documents were discovered to have inconsistent client signatures that AFS investigators concluded Watkins used "recycled" signatures from previously signed client documents.

8. Watkins admitted that he signed clients' names to forms to expedite business.

9. AFS's investigation determined that Watkins had violated the firm's policies relating to: Discretionary Power; Unacceptable Activities Transactions (discretion); Pre-Signed Forms and Applications; Forgery, Signature Stamps, and Other Signature Issues; and Annuity Overview.

10. As a result of the investigation, and after being suspended by AFS, Watkins resigned.

Department Review

11. In November 2011, AFS filed a Form U-5 amendment to Watkin's FINRA CRD record stating that he had violated the firm's policies on discretionary power; unacceptable activities transactions; pre-signed forms and applications; forgery; signature stamps and other signature issues and annuity overview.

12. The AFS Form U-5 amendment was brought to the attention of the Department's examinations division (Examinations).

13. Examinations verified the results of the AFS investigation.

To the extent any of these Findings of Fact are more properly characterized as Conclusions of Law, they should be so considered.

Authorities

1. Rule 660:11-5-42 of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (as amended July 1, 2007) ("Rules") states, in pertinent part:

(a) Purpose. This rule is intended to set forth the standards of ethical practices for broker-dealers and their agents. Any noncompliance with the standards of ethical practices specified in this section will constitute unethical practices in the securities business; however, the following is not intended to be a comprehensive listing of all specific events or conditions that may constitute such unethical practices. The standards shall be interpreted in such manner as will aid in effectuating the policy and provisions of the Securities Act, and so as to require that all practices of broker-dealers, and their agents, in connection with their activities in this state shall be just, reasonable and not unfairly discriminatory.

(b) Standards.

(1) A broker-dealer and his agents, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade. A broker-dealer and his agents shall not violate any federal securities statute or rule or any rule of a national securities exchange or national securities association of which it is a member with respect to any customer, transaction or business effected in this state.

* * *

(13) The following standards shall apply to discretionary accounts:

(B) No broker-dealer or agent of a broker-dealer shall exercise any discretionary power in a customer's account unless such customer has given prior written authorization to stated individuals or individuals and the account has been accepted by the broker-dealer, as evidenced in writing by the broker-dealer or the partner, officer, or manager duly designated by the broker-dealer, in accordance with (22) of this subsection;

* * *

(15) No broker-dealer or agent of a broker-dealer shall effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device, practice, plan, program, design, or contrivance.

* * *

(22) The following standards shall apply to supervisory procedures:

(A) Each broker-dealer shall establish, maintain and enforce written procedures which will enable it to supervise properly the activities of each registered agent and associated person to assure compliance with applicable securities laws, rules, regulations and statements of policy promulgated by the Administrator and/or the Commission under the Securities Act.

2. FINRA Rule 3270 *Outside Business Activities of Registered Persons* states:

No registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such a form as specified by the member. Passive investments and activities subject to the requirements of NASD Rule 3040 shall be exempted from this requirement.

3. Section 1-411 of the Act provides, in pertinent part:

B. If the Administrator finds that the order issued is in the public interest and subsection D of this section authorizes the action an order issued under this act may revoke, suspend, condition, or limit the registration of a registrant and if the registrant is a broker-dealer or investment adviser, any partner, officer, or director, any person having a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser.

C. If the Administrator finds that the order is in the public interest and paragraphs 1 through 6, 8, 9, 10, 12 or 13 of subsection D of this section authorizes the action, an order under

this act may censure, impose a bar, impose a civil penalty in an amount not to exceed a maximum of Five Thousand Dollars (\$5,000.00) for a single violation or Two Hundred Fifty Thousand Dollars (\$250,000.00) for multiple violations on a registrant, and/or recover the costs of the investigation from a registrant and if the registrant is a broker-dealer or investment adviser, from any partner, officer, or director, any person having a similar function or any person directly or indirectly controlling the broker-dealer or investment adviser.

D. A person may be disciplined under subsections A through C of this section if the person:

* * *

2. Has willfully violated or willfully failed to comply with this act or the predecessor act or a rule adopted or order issued under this act or the predecessor act within the previous ten (10) years[.]

* * *

13. Has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance or insurance business within the previous ten (10) years[.]

Conclusions of Law

1. Rules by: Watkins engaged in unethical practices in violation of 660:11-5-42 of the
 - a. exercising discretionary power in customer accounts without written client authorization,
 - b. signing clients' names to numerous client documents,
 - c. using "recycled" client signatures on documents,
 - d. engaging in prohibited conduct constituting violations of AFS's supervisory procedures, and
 - e. engaging in outside business activities without receiving prior authorization from AFS.

2. The Administrator is authorized to impose a bar on Watkins' registrations under the Act and impose civil penalties against Watkins, pursuant to Section 1-411 of the Act.

3. It is in the public interest for the Administrator to impose a bar from future registration under the Act in any capacity, to bar Respondent Watkins from association with a broker-dealer or investment adviser in any capacity, and/or to impose a civil penalty against Watkins.

To the extent any of these Conclusions of Law are more properly characterized as Findings of Fact, they should be so considered.

WHEREFORE, it is recommended that the Administrator issue an order barring Watkins from future registration under the Act in any capacity, barring Respondent from association with a broker-dealer or investment adviser in any capacity, and/or imposing such other sanctions as appropriate and authorized by law.

Dated this 29th day of March, 2012.

Respectfully submitted,



Jennifer Shaw, Enforcement Attorney
Amanda Cornmesser, Attorney
Oklahoma Department of Securities
120 North Robinson, Suite 860
Oklahoma City, OK 73102
Telephone: (405) 280-7700
Facsimile: (405) 280-7742
Email: jshaw@securities.ok.gov
acornmesser@securities.ok.gov

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
THE FIRST NATIONAL CENTER
120 N. ROBINSON, SUITE 860
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

Rodney Larry Watkins, Jr. (CRD #3091936),

Respondent.

ODS File No. 12-058

AGREEMENT

THIS AGREEMENT is entered into between Rodney Larry Watkins, Jr. ("Respondent") and the Administrator ("Administrator") of the Oklahoma Department of Securities ("Department") as of the Effective Date set forth below.

Pursuant to Section 1-602 of the Oklahoma Uniform Securities Act of 2004 ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011), and 660:11-5-43 of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities ("Rules") (effective July 1, 2007), Okla. Admin. Code §§ 660:1-1-1 through 660:25-7-1, the Oklahoma Department of Securities (Department) conducted an investigation of certain activities of Rodney Larry Watkins, Jr. (Watkins) in connection with the offer and/or sale of securities in and/or from Oklahoma. Based thereon, an *Enforcement Division Recommendation* (Recommendation) was filed with the Administrator on March 29, 2012. *Respondent's Response to Enforcement Division Recommendation* was filed on May 15, 2012.

Respondent desires to settle this matter expeditiously without the adjudication of any issue of law or fact and in a manner consistent with the purposes fairly intended by the policies and provisions of the Act.

Respondent represents that he has not offered or sold a security or transacted business in and/or from the state as a broker-dealer, broker-dealer agent, issuer agent, investment adviser, and/or investment adviser representative, as such terms are defined in Section 1-102 of the Act, since November 25, 2011.

The undersigned parties hereto agree as follows:

1. **Jurisdiction.** The Administrator has jurisdiction over Respondent and the subject matter of this action.
2. **Order.** The Administrator shall issue the order relating to Respondent in the form attached hereto as "Attachment A" (the "Order").



3. **Failure to Comply.** Should Respondent fail to comply with the terms of this Agreement and/or the Order in any material respect or if Respondent has made any false or misleading statements to the Department in connection with this matter, the Department may initiate an action against Respondent as authorized by the Act.

4. **Waiver.** Respondent waives his right to a hearing as provided by the Act, the Rules, and the Oklahoma Administrative Procedures Act, and any right to appeal.

5. **No Coercion.** Respondent enters into this Agreement voluntarily and without any duress, undue influence or coercion by the Administrator, any employee of the Department, or any member of the Oklahoma Securities Commission.

6. **Limitation on the Agreement.** Nothing in this Agreement shall prohibit the Administrator from furnishing information to any other properly constituted agency or authority. In the event any other agency or authority commences an action in connection with information obtained by the Administrator against Respondent, the Administrator may assist in such action as authorized by law.

7. **Entire Agreement.** This writing constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all prior contemporaneous agreements, representations and understanding of the parties. No supplement, modification or amendment to this Agreement shall be binding unless executed in writing by each of the parties hereto.

8. **Effective Date.** This Agreement shall be in effect as of the date on which it is signed by the Administrator as set forth below his signature hereto.

9. **Applicability.** This Agreement applies only to the alleged activities of Respondent as set forth in the Recommendation, and to no others.

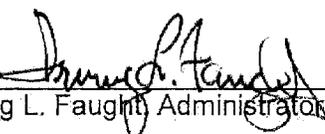
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year set forth below their signatures hereto.

RODNEY LARRY WATKINS, JR.



Date: 8-22-12

OKLAHOMA DEPARTMENT OF SECURITIES

By: 

Irving L. Faught, Administrator

Date: August 29, 2012

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
THE FIRST NATIONAL CENTER
120 N. ROBINSON, SUITE 860
OKLAHOMA CITY, OKLAHOMA 73102

In the Matter of:

Rodney Larry Watkins, Jr. (CRD #3091936),

Respondent.

ODS File No. 12-058

ORDER

Pursuant to Section 1-602 of the Oklahoma Uniform Securities Act of 2004 ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011), and 660:11-5-43 of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities ("Rules") (effective July 1, 2007), Okla. Admin. Code §§ 660:1-1-1 through 660:25-7-1, the Oklahoma Department of Securities (Department) conducted an investigation of certain activities of Rodney Larry Watkins, Jr. (Watkins) in connection with the offer and/or sale of securities in and/or from Oklahoma. Based thereon, an *Enforcement Division Recommendation* (Recommendation) was filed with the Administrator on March 29, 2012. The Recommendation is incorporated herein by reference. *Respondent's Response to the Enforcement Division Recommendation* was filed on May 15, 2012.

In order to resolve this matter, Respondent voluntarily entered into the Agreement attached hereto as "Exhibit A" and incorporated herein by reference ("Agreement").

This Order is issued pursuant to Section 1-411 of the Act, 660:2-5-3 of the Rules, and Item 2 of the Agreement. For purposes of this Order, the Administrator adopts the following findings and/or conclusions: (1) through his execution of the Agreement, Respondent consented to the entry of this Order; (2) the issuance of this Order is in the public interest and for the protection of investors and is consistent with the purposes intended by the Act; and (3) the Administrator is authorized by law to issue this Order.

NOW THEREFORE IT IS HEREBY ORDERED that the Agreement is approved, effective and binding on all parties to such Agreement.

IT IS FURTHER ORDERED that Respondent shall not offer and/or sell any security as defined by Section 1-102 of the Act in and/or from the state of Oklahoma for a period of nine months. Such period shall retroactively begin on November 25, 2011, and end on August 26, 2012. This bar would apply to the transaction of business on or

before August 26, 2012, in and/or from the state as a broker-dealer, broker-dealer agent, issuer agent, investment adviser, and/or investment adviser representative, as such terms are defined in Section 1-102 of the Act.

IT IS FURTHER ORDERED that Respondent shall pay a monetary penalty in the amount of \$2,500 to the Department, by cashier's check or money order, that shall be due and payable prior to or contemporaneously with his registration under the Act as a broker-dealer, broker-dealer agent, issuer agent, investment adviser and/or investment adviser representative.

IT IS FURTHER ORDERED that, for a period of three years from the date hereof, any registration by Respondent under the Act, or a successor act, shall be conditioned on a Department approved heightened supervision plan relating to Respondent presented by his affiliated broker-dealer and/or investment adviser. The heightened supervision plan shall include, but not be limited to, daily, on-site supervision of Respondent.

IT IS FURTHER ORDERED that Respondent shall at all times comply with all provisions of the Act and Rules, and successors of the Act and Rules, in connection with offers and/or sales of securities in and/or from the state of Oklahoma.

Witness my Hand and the Official Seal of the Oklahoma Department of Securities on this _____ day of August, 2012.

(SEAL)

Irving L. Faught, Administrator of the
Oklahoma Department of Securities

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
THE FIRST NATIONAL CENTER
120 N. ROBINSON, SUITE 860
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

Rodney Larry Watkins, Jr. (CRD #3091936),

Respondent.

ODS File No. 12-058

ORDER

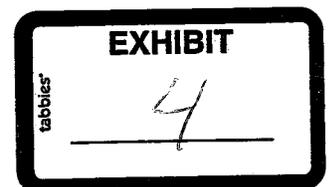
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In order to resolve this matter, Respondent voluntarily entered into the Agreement attached hereto as "Exhibit A" and incorporated herein by reference ("Agreement").

This Order is issued pursuant to Section 1-411 of the Act, 660:2-5-3 of the Rules, and Item 2 of the Agreement. For purposes of this Order, the Administrator adopts the following findings and/or conclusions: (1) through his execution of the Agreement, Respondent consented to the entry of this Order; (2) the issuance of this Order is in the public interest and for the protection of investors and is consistent with the purposes intended by the Act; and (3) the Administrator is authorized by law to issue this Order.

NOW THEREFORE IT IS HEREBY ORDERED that the Agreement is approved, effective and binding on all parties to such Agreement.

IT IS FURTHER ORDERED that Respondent shall not offer and/or sell any security as defined by Section 1-102 of the Act in and/or from the state of Oklahoma for a period of nine months. Such period shall retroactively begin on November 25, 2011, and end on August 26, 2012. This bar would apply to the transaction of business on or



before August 26, 2012, in and/or from the state as a broker-dealer, broker-dealer agent, issuer agent, investment adviser, and/or investment adviser representative, as such terms are defined in Section 1-102 of the Act.

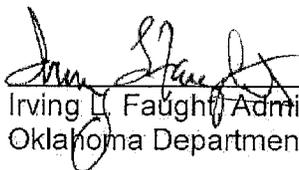
IT IS FURTHER ORDERED that Respondent shall pay a monetary penalty in the amount of \$2,500 to the Department, by cashier's check or money order, that shall be due and payable prior to or contemporaneously with his registration under the Act as a broker-dealer, broker-dealer agent, issuer agent, investment adviser and/or investment adviser representative.

IT IS FURTHER ORDERED that, for a period of three years from the date hereof, any registration by Respondent under the Act, or a successor act, shall be conditioned on a Department approved heightened supervision plan relating to Respondent presented by his affiliated broker-dealer and/or investment adviser. The heightened supervision plan shall include, but not be limited to, daily, on-site supervision of Respondent.

IT IS FURTHER ORDERED that Respondent shall at all times comply with all provisions of the Act and Rules, and successors of the Act and Rules, in connection with offers and/or sales of securities in and/or from the state of Oklahoma.

Witness my Hand and the Official Seal of the Oklahoma Department of Securities on this 29th day of August, 2012.

(SEAL)



Irving L. Faught Administrator of the
Oklahoma Department of Securities

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
THE FIRST NATIONAL CENTER
120 N. ROBINSON, SUITE 860
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

Rodney Larry Watkins, Jr. (CRD #3091936),

Respondent.

ODS File No. 12-058

AGREEMENT

THIS AGREEMENT is entered into between Rodney Larry Watkins, Jr. ("Respondent") and the Administrator ("Administrator") of the Oklahoma Department of Securities ("Department") as of the Effective Date set forth below.

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Respondent desires to settle this matter expeditiously without the adjudication of any issue of law or fact and in a manner consistent with the purposes fairly intended by the policies and provisions of the Act.

Respondent represents that he has not offered or sold a security or transacted business in and/or from the state as a broker-dealer, broker-dealer agent, issuer agent, investment adviser, and/or investment adviser representative, as such terms are defined in Section 1-102 of the Act, since November 25, 2011.

The undersigned parties hereto agree as follows:

1. **Jurisdiction.** The Administrator has jurisdiction over Respondent and the subject matter of this action.
2. **Order.** The Administrator shall issue the order relating to Respondent in the form attached hereto as "Attachment A" (the "Order").

3. **Failure to Comply.** Should Respondent fail to comply with the terms of this Agreement and/or the Order in any material respect or if Respondent has made any false or misleading statements to the Department in connection with this matter, the Department may initiate an action against Respondent as authorized by the Act.

4. **Waiver.** Respondent waives his right to a hearing as provided by the Act, the Rules, and the Oklahoma Administrative Procedures Act, and any right to appeal.

5. **No Coercion.** Respondent enters into this Agreement voluntarily and without any duress, undue influence or coercion by the Administrator, any employee of the Department, or any member of the Oklahoma Securities Commission.

6. **Limitation on the Agreement.** Nothing in this Agreement shall prohibit the Administrator from furnishing information to any other properly constituted agency or authority. In the event any other agency or authority commences an action in connection with information obtained by the Administrator against Respondent, the Administrator may assist in such action as authorized by law.

7. **Entire Agreement.** This writing constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all prior contemporaneous agreements, representations and understanding of the parties. No supplement, modification or amendment to this Agreement shall be binding unless executed in writing by each of the parties hereto.

8. **Effective Date.** This Agreement shall be in effect as of the date on which it is signed by the Administrator as set forth below his signature hereto.

9. **Applicability.** This Agreement applies only to the alleged activities of Respondent as set forth in the Recommendation, and to no others.

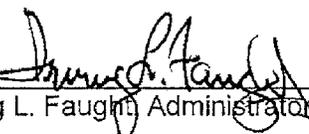
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year set forth below their signatures hereto.

RODNEY LARRY WATKINS, JR.



Date: 8-22-12

OKLAHOMA DEPARTMENT OF SECURITIES

By: 

Irving L. Faught, Administrator

Date: August 29, 2012



Print

3010. Supervision

This version is valid from Feb 4 2013 through Nov 30 2014.

Amendments have been announced but are not yet effective. To view other versions open the versions tab on the right.

SR-FINRA-2013-025 has been approved by the SEC. Effective December 1, 2014, this version will no longer be applicable. Please consult the appropriate FINRA rule.

(a) Supervisory System

Each member shall establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules. Final responsibility for proper supervision shall rest with the member. A member's supervisory system shall provide, at a minimum, for the following:

- (1) The establishment and maintenance of written procedures as required by paragraphs (b) and (c) of this Rule.
- (2) The designation, where applicable, of an appropriately registered principal(s) with authority to carry out the supervisory responsibilities of the member for each type of business in which it engages for which registration as a broker/dealer is required.
- (3) The designation as an office of supervisory jurisdiction (OSJ) of each location that meets the definition contained in paragraph (g) of this Rule. Each member shall also designate such other OSJs as it determines to be necessary in order to supervise its registered representatives, registered principals, and other associated persons in accordance with the standards set forth in this Rule, taking into consideration the following factors:
 - (A) whether registered persons at the location engage in retail sales or other activities involving regular contact with public customers;
 - (B) whether a substantial number of registered persons conduct securities activities at, or are otherwise supervised from, such location;
 - (C) whether the location is geographically distant from another OSJ of the firm;
 - (D) whether the member's registered persons are geographically dispersed; and
 - (E) whether the securities activities at such location are diverse and/or complex.
- (4) The designation of one or more appropriately registered principals in each OSJ, including the main office, and one or more appropriately registered representatives or principals in each non-OSJ branch office with authority to carry out the supervisory responsibilities assigned to that office by the member.
- (5) The assignment of each registered person to an appropriately registered representative(s) and/or principal(s) who shall be responsible for supervising that person's activities.
- (6) Reasonable efforts to determine that all supervisory personnel are qualified by virtue of experience or training to carry out their assigned responsibilities.
- (7) The participation of each registered representative and registered principal, either individually or collectively, no less than annually, in an interview or meeting conducted by persons designated by the member at which compliance matters relevant to the activities of the representative(s) and principal(s) are discussed. Such interview or meeting may occur in conjunction with the discussion of other matters and may be conducted at a central or regional location or at the representative's(') or principal's(') place of business.

(b) Written Procedures

- (1) Each member shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals, and other

associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of NASD.

(2) Tape recording of conversations

(A) Each member that either is notified by NASD or otherwise has actual knowledge that it meets one of the criteria in paragraph (b)(2)(H) relating to the employment history of its registered persons at a Disciplined Firm as defined in paragraph (b)(2)(J) shall establish, maintain, and enforce special written procedures for supervising the telemarketing activities of all of its registered persons.

(B) The member must establish and implement the supervisory procedures required by this paragraph within 60 days of receiving notice from NASD or obtaining actual knowledge that it is subject to the provisions of this paragraph.

A member that meets one of the criteria in paragraph (b)(2)(H) for the first time may reduce its staffing levels to fall below the threshold levels within 30 days after receiving notice from NASD pursuant to the provisions of paragraph (b)(2)(A) or obtaining actual knowledge that it is subject to the provisions of the paragraph, provided the firm promptly notifies the Department of Member Regulation, NASD, in writing of its becoming subject to the Rule. Once the member has reduced its staffing levels to fall below the threshold levels, it shall not rehire a person terminated to accomplish the staff reduction for a period of 180 days. On or prior to reducing staffing levels pursuant to this paragraph, a member must provide the Department of Member Regulation, NASD with written notice, identifying the terminated person(s).

(C) The procedures required by this paragraph shall include tape-recording all telephone conversations between the member's registered persons and both existing and potential customers.

(D) The member shall establish reasonable procedures for reviewing the tape recordings made pursuant to the requirements of this paragraph to ensure compliance with applicable securities laws and regulations and applicable rules of NASD. The procedures must be appropriate for the member's business, size, structure, and customers.

(E) All tape recordings made pursuant to the requirements of this paragraph shall be retained for a period of not less than three years from the date the tape was created, the first two years in an easily accessible place. Each member shall catalog the retained tapes by registered person and date.

(F) Such procedures shall be maintained for a period of three years from the date that the member establishes and implements the procedures required by the provisions of this paragraph.

(G) By the 30th day of the month following the end of each calendar quarter, each member firm subject to the requirements of this paragraph shall submit to NASD a report on the member's supervision of the telemarketing activities of its registered persons.

(H) The following members shall be required to adopt special supervisory procedures over the telemarketing activities of their registered persons:

- A firm with at least five but fewer than ten registered persons, where 40% or more of its registered persons have been associated with one or more Disciplined Firms in a registered capacity within the last three years;
- A firm with at least ten but fewer than twenty registered persons, where four or more of its registered persons have been associated with one or more Disciplined Firms in a registered capacity within the last three years;
- A firm with at least twenty registered persons, where 20% or more of its registered persons have been associated with one or more Disciplined Firms in a registered capacity within the last three years.

For purposes of the calculations required in subparagraph (H), firms should not include registered persons who:

(1) have been registered for an aggregate total of 90 days or less with one or more Disciplined Firms within the past three years; and

(2) do not have a disciplinary history.

(I) For purposes of this Rule, the term "registered person" means any person registered with NASD as a representative, principal, or assistant representative pursuant to the Rule 1020, 1030, 1040, and 1110 Series or pursuant to Municipal Securities Rulemaking Board ("MSRB") Rule G-3.

(J) For purposes of this Rule, the term "disciplined firm" means either a member that, in connection with sales practices involving the offer, purchase, or sale of any security, has been expelled from membership or participation in any securities industry self-regulatory organization or is subject to an order of the Securities and Exchange Commission revoking its registration as a broker/dealer; or a futures commission merchant or introducing broker that has been formally charged by either the Commodity Futures Trading Commission or a registered futures association with deceptive telemarketing practices or promotional material relating to security futures, those charges have been resolved, and the futures commission merchant or introducing broker has been closed down and permanently barred from the futures industry as a result of those charges; or a futures commission merchant or introducing broker that, in connection with sales practices involving the offer, purchase, or sale of security futures is subject to an order of the Securities and Exchange Commission revoking its registration as a broker or dealer.

(K) For purposes of this Rule, the term "disciplinary history" means a finding of a violation by a registered person in the past five years by the Securities and Exchange Commission, a self-regulatory organization, or a foreign financial regulatory authority of one or more of the provisions (or comparable foreign provision) listed in IM-1011-1 or rules or regulations thereunder.

(L) Pursuant to the Rule 9600 Series, NASD may in exceptional circumstances, taking into consideration all relevant factors, exempt any member unconditionally or on specified terms and conditions from the requirements of this paragraph. A member seeking an exemption must file a written application pursuant to the Rule 9600 Series within 30 days after receiving notice from NASD or obtaining actual knowledge that it meets one of the criteria in paragraph (b)(2)(H). A member that meets one of the criteria in paragraph (b)(2)(H) for the first time may elect to reduce its staffing levels pursuant to the provisions of paragraph (b)(2)(B) or, alternatively, to seek an exemption pursuant to paragraph (b)(2)(L), as appropriate; such a member may not seek relief from the Rule by both reducing its staffing levels pursuant to paragraph (b)(2)(B) and requesting an exemption.

(3) The member's written supervisory procedures shall set forth the supervisory system established by the member pursuant to paragraph (a) above, and shall include the titles, registration status and locations of the required supervisory personnel and the responsibilities of each supervisory person as these relate to the types of business engaged in, applicable securities laws and regulations, and the Rules of this Association. The member shall maintain on an internal record the names of all persons who are designated as supervisory personnel and the dates for which such designation is or was effective. Such record shall be preserved by the member for a period of not less than three years, the first two years in an easily accessible place.

(4) A copy of a member's written supervisory procedures, or the relevant portions thereof, shall be kept and maintained in each OSJ and at each location where supervisory activities are conducted on behalf of the member. Each member shall amend its written supervisory procedures as appropriate within a reasonable time after changes occur in applicable securities laws and regulations, including the Rules of this Association, and as changes occur in its supervisory system, and each member shall be responsible for communicating amendments through its organization.

(c) Internal Inspections

(1) Each member shall conduct a review, at least annually, of the businesses in which it engages, which review shall be reasonably designed to assist in detecting and preventing violations of, and achieving compliance with, applicable securities laws and regulations, and with applicable NASD rules. Each member shall review the activities of each office, which shall include the periodic examination of customer accounts to detect and prevent irregularities or abuses.

(A) Each member shall inspect at least annually every office of supervisory jurisdiction and any branch office that supervises one or more non-branch locations.

(B) Each member shall inspect at least every three years every branch office that does not supervise one or more non-branch locations. In establishing how often to inspect each non-supervisory branch office, the firm shall consider whether the nature and complexity of the securities activities for which the location is responsible, the volume of business done, and the number of associated persons assigned to the location require the non-supervisory branch office to be inspected more frequently than every three years. If a member establishes a more frequent inspection cycle, the member must ensure that at least every three years, the inspection requirements enumerated in paragraph (c)(2) have been met. The non-supervisory branch office examination cycle, an explanation of the factors the member used in determining the frequency of the examinations in the cycle, and the manner in which a member will comply with paragraph (c)(2) if using more frequent inspections than every three years shall be set forth in the member's written supervisory and inspection procedures.

(C) Each member shall inspect on a regular periodic schedule every non-branch location. In establishing such schedule, the firm shall consider the nature and complexity of the securities activities for which the location is responsible and the nature and extent of contact with customers. The schedule and an explanation regarding how the member determined the frequency of the examination schedule shall be set forth in the member's written supervisory and inspection procedures.

Each member shall retain a written record of the dates upon which each review and inspection is conducted.

(2) An office inspection and review by a member pursuant to paragraph (c)(1) must be reduced to a written report and kept on file by the member for a minimum of three years, unless the inspection is being conducted pursuant to paragraph (c)(1)(C) and the regular periodic schedule is longer than a three-year cycle, in which case the report must be kept on file at least until the next inspection report has been written. The written inspection report must also include, without limitation, the testing and verification of the member's policies and procedures, including supervisory policies and procedures in the following areas:

- (A) Safeguarding of customer funds and securities;
- (B) Maintaining books and records;
- (C) Supervision of customer accounts serviced by branch office managers;
- (D) Transmittal of funds between customers and registered representatives and between customers and third parties;
- (E) Validation of customer address changes; and
- (F) Validation of changes in customer account information.

If a member does not engage in all of the activities enumerated above, the member must identify those activities in which it does not engage in the written inspection report and document in the report that supervisory policies and procedures for such activities must be in place before the member can engage in them.

(3) An office inspection by a member pursuant to paragraph (c)(1) may not be conducted by the branch office manager or any person within that office who has supervisory responsibilities or by any individual who is directly or indirectly supervised by such person(s). However, if a member is so limited in size and resources that it cannot comply with this limitation (e.g., a member with only one office or a member has a business model where small or single-person offices report directly to an office of supervisory jurisdiction manager who is also considered the offices' branch office manager), the member may have a principal who has the requisite knowledge to conduct an office inspection perform the inspections. The member, however, must document in the office inspection reports the factors it has relied upon in determining that it is so limited in size and resources that it has no other alternative than to comply in this manner.

A member must have in place procedures that are reasonably designed to provide heightened office inspections if the person conducting the inspection reports to the branch office manager's supervisor or works in an office supervised by the branch manager's supervisor and the branch office manager generates 20% or more of the revenue of the business units supervised by the branch office manager's supervisor. For the purposes of this subsection only, the term "heightened inspection" shall mean those inspection procedures that are designed to avoid conflicts of interest that serve to undermine complete and effective inspection because of the economic, commercial, or financial interests that the branch manager's supervisor holds in the associated persons and businesses being inspected. In addition, for the purpose of this section only, when calculating the 20% threshold, all of the revenue generated by or credited to the branch office or branch office manager shall be attributed as revenue generated by the business units supervised by the branch office manager's supervisor irrespective of a member's internal allocation of such revenue. A member must calculate the 20% threshold on a rolling, twelve-month basis.

(d) Review of Transactions and Correspondence

(1) Supervision of Registered Representatives

Each member shall establish procedures for the review and endorsement by a registered principal in writing, on an internal record, of all transactions and for the review by a registered principal of incoming and outgoing written and electronic correspondence of its registered representatives with the public relating to the investment banking or securities business of such member. Such procedures should be in writing and be designed to reasonably supervise each registered representative. Evidence that these supervisory procedures have been implemented and carried out must be maintained and made available to the Association upon request.

(2) Review of Correspondence

Each member shall develop written procedures that are appropriate to its business, size, structure, and customers for the review of incoming and outgoing written (i.e., non-electronic) and electronic correspondence with the public relating to its investment banking or securities business, including procedures to review incoming, written correspondence directed to registered representatives and related to the member's investment banking or securities business to properly identify and handle customer complaints and to ensure that customer funds and securities are handled in accordance with firm procedures. Where such procedures for the review of correspondence do not require review of all correspondence prior to use or distribution, they must include provision for the education and training of associated persons as to the firm's procedures governing correspondence; documentation of such education and training; and surveillance and follow-up to ensure that such procedures are implemented and adhered to.

(3) Retention of Correspondence

Each member shall retain correspondence of registered representatives relating to its investment banking or securities business in accordance with Rule 3110. The names of the persons who prepared outgoing correspondence and who reviewed the correspondence shall be ascertainable from the retained records and the retained records shall be readily available to the Association, upon request.

(e) Qualifications Investigated

Each member shall have the responsibility and duty to ascertain by investigation the good character, business repute, qualifications, and experience of any person prior to making such a certification in the application of such person for registration with this Association. Where an applicant for registration has previously been registered with the Association, the member shall review a copy of the Uniform Termination Notice of Securities Industry Registration (Form U-5) filed with the Association by such person's most recent previous NASD member employer, together with any amendments thereto that may have been filed pursuant to Article V, Section 3 of the Association's By-Laws. The member shall review the Form U-5 as required by this Rule no later than sixty (60) days following the filing of the application for registration or demonstrate to the Association that it has made reasonable efforts to comply with the requirement. In conducting its review of the Form U-5 and any amendments thereto, a member shall take such action as may be deemed appropriate.

Where an applicant for registration has been previously registered with a registered futures association ("RFA") member that is or has been registered as a broker/dealer pursuant to Section 15(b)(11) of the Act ("notice-registered broker/dealer") with the SEC to trade security futures, the member shall review a copy of the Notice of Termination of Associated Person (Form 8-T) filed with the RFA by such person's most recent previous RFA member employer, together with any amendments thereto. The member shall review the Form 8-T as required by this Rule no later than sixty (60) days following the filing of the application for registration or demonstrate to the Association that it has made reasonable efforts to comply with the requirement. In conducting its review of a Form 8-T and any amendments, a member shall take such action as may be deemed appropriate.

(f) Applicant's Responsibility

Any applicant for registration who receives a request for a copy of his or her Form U-5 from a member pursuant to this Rule shall provide such copy to the member within two (2) business days of the request if the Form U-5 has been provided to such person by his or her former employer. If a former employer has failed to provide the Form U-5 to the applicant for registration, such person shall promptly request the Form U-5, and shall provide it to the requesting member within two (2) business days of receipt thereof. The applicant shall promptly provide any subsequent amendments to a Form U-5 he or she receives to the requesting member.

(g) Definitions

(1) "Office of Supervisory Jurisdiction" means any office of a member at which any one or more of the following functions take place:

- (A) order execution and/or market making;
- (B) structuring of public offerings or private placements;
- (C) maintaining custody of customers' funds and/or securities;
- (D) final acceptance (approval) of new accounts on behalf of the member;

(E) review and endorsement of customer orders, pursuant to paragraph (d) above;

(F) final approval of retail communications for use by persons associated with the member, pursuant to FINRA Rule 2210(b)(1), except for an office that solely conducts final approval of research reports; or

(G) responsibility for supervising the activities of persons associated with the member at one or more other branch offices of the member.

(2)(A) A "branch office" is any location where one or more associated persons of a member regularly conducts the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of any security, or is held out as such, excluding:

(i) Any location that is established solely for customer service and/or back office type functions where no sales activities are conducted and that is not held out to the public as a branch office;

(ii) Any location that is the associated person's primary residence; provided that

a. Only one associated person, or multiple associated persons who reside at that location and are members of the same immediate family, conduct business at the location;

b. The location is not held out to the public as an office and the associated person does not meet with customers at the location;

c. Neither customer funds nor securities are handled at that location;

d. The associated person is assigned to a designated branch office, and such designated branch office is reflected on all business cards, stationery, retail communications and other communications to the public by such associated person;

e. The associated person's correspondence and communications with the public are subject to the firm's supervision in accordance with Rule 3010;

f. Electronic communications (e.g., e-mail) are made through the member's electronic system;

g. All orders are entered through the designated branch office or an electronic system established by the member that is reviewable at the branch office;

h. Written supervisory procedures pertaining to supervision of sales activities conducted at the residence are maintained by the member; and

i. A list of the residence locations is maintained by the member;

(iii) Any location, other than a primary residence, that is used for securities business for less than 30 business days in any one calendar year, provided the member complies with the provisions of paragraph (A)(2)(ii)a. through h. above;

(iv) Any office of convenience, where associated persons occasionally and exclusively by appointment meet with customers, which is not held out to the public as an office; *

(v) Any location that is used primarily to engage in non-securities activities and from which the associated person(s) effects no more than 25 securities transactions in any one calendar year; provided that any retail communication identifying such location also sets forth the address and telephone number of the location from which the associated person(s) conducting business at the non-branch locations are directly supervised;

(vi) The Floor of a registered national securities exchange where a member conducts a direct access business with public customers; or

(vii) A temporary location established in response to the implementation of a business continuity plan.

(B) Notwithstanding the exclusions in paragraph (2)(A), any location that is responsible for supervising the activities of persons associated with the member at one or more non-branch locations of the member is considered to be a branch office.

(C) The term "business day" as used in Rule 3010(g)(2)(A) shall not include any partial business day provided that the associated person spends at least four hours on such business day at his or her designated branch office during the hours that such office is normally open for business.

* Where such office of convenience is located on bank premises, signage necessary to comply with applicable federal and state laws, rules and regulations and applicable rules and regulations of the NYSE, other self-regulatory organizations, and securities and banking regulators may be displayed and shall not be deemed "holding out" for purposes of this section.

Amended by SR-FINRA-2013-001 eff. Feb. 4, 2013.
 Amended by SR-FINRA-2007-008 eff. Dec. 19, 2007.
 Amended by SR-NASD-2006-037 eff. July 3, 2006.
 Amended by SR-NASD-2005-033 eff. Aug. 1, 2005.
 Amended by SR-NASD-2005-004 eff. July 25, 2005
 Amended by SR-NASD-2002-162 and SR-NASD-2004-116 eff. Jan. 31, 2005.
 Amended by SR-NASD-2002-40 eff. Oct. 15, 2002.
 Amended by SR-NASD-2002-04 eff. Oct. 14, 2002.
 Amended by SR-NASD-99-28 eff. Aug. 16, 1999.
 Amended by SR-NASD-98-52 eff. March 15, 1999.
 Amended by SR-NASD-98-86 eff. Nov. 19, 1998.
 Amended by SR-NASD-97-69 eff. August 17, 1998.
 Amended by SR-NASD-98-45 postponed eff. date of provision in Notice to Members 98-11.
 Amended by SR-NASD-98-31 eff. Apr. 7, 1998, postponed eff. date of provision in Notice to Members.
 Amended by SR-NASD-98-10 postponed eff. date.
 Amended by SR-NASD-97-24 eff. Feb. 15, 1998.
 Amended by SR-NASD-97-41 eff. Sept. 4, 1997.
 Amended eff. June 12, 1989; Apr. 30, 1992.

Selected Notices to Members: [86-65](#), [88-84](#), [89-34](#), [89-57](#), [91-48](#), [92-18](#), [96-33](#), [96-59](#), [96-82](#), [98-11](#), [98-18](#), [98-38](#), [98-52](#), [98-96](#), [99-03](#), [99-45](#), [04-71](#), [05-67](#), [06-13](#), [07-64](#), [14-10](#).

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Print

1122. Filing of Misleading Information as to Membership or Registration

No member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof.

Amended by SR-FINRA-2009-009 eff. Aug. 17, 2009.

Selected Notice: [09-33](#).

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**OKLAHOMA DEPARTMENT OF SECURITIES
FIRST NATIONAL CENTER
120 NORTH ROBINSON, SUITE 860
OKLAHOMA CITY, OKLAHOMA 73102**

**SOUTHEAST INVESTMENTS, N.C. INC.
and FRANK H. BLACK,**

Appellants,

vs.

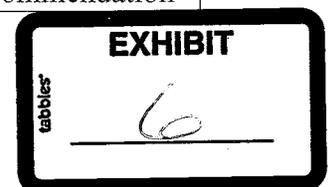
OSC 15-001

**OKLAHOMA DEPARTMENT OF SECURITIES
ex rel. IRVING L. FAUGHT, ADMINISTRATOR,**

Appellee.

TIMELINE OF CASE PROCEEDING

Date	Description
03/29/12	Enforcement Division Recommendation Against Rodney Larry Watkins, Jr.
08/29/12	Order with Agreement of Rodney Larry Watkins, Jr., attached
03/26/13	Enforcement Division Recommendation Against Rodney Larry Watkins, Jr., Southeast Investments, N.C. Inc. and Frank H. Black
04/30/14	Agreement of Respondent Rodney Larry Watkins, Jr.
06/10/14	Oklahoma Department of Securities Motion for Leave to Supplement Recommendation
06/19/14	Respondents' Response and Objection to the Department's Motion for Leave to Supplement Recommendation
06/20/14	Order Allowing Enforcement Division to File Supplemental Recommendation
06/20/14	Supplemental Enforcement Division Recommendation
07/15/14	Motion to Dismiss Supplemental Enforcement Division Recommendation and Alternative Response to the Same of Southeast Investments, N.C. Inc. and Frank H. Black
07/23/14	Department's Motion for Summary Decision
07/25/14	Department's Response to Respondents' Motion to Dismiss Supplemental Enforcement Division Recommendation
08/04/14	Respondents' Motion for Recusal of Administrator and for Appointment of Neutral Hearing Officer
08/04/14	Respondents' Response to Department's Motion for Summary Decision and Renewed Motion to Dismiss Supplemental Recommendation
08/06/14	Department's Response to Respondents' Motion for Recusal of Administrator and for Appointment of Neutral Hearing Officer
08/06/14	Order Denying Respondents' Motion for Recusal of Administrator and for Appointment of Neutral Hearing Officer
08/29/14	Respondents' Consolidated Response to Department's Motion for Summary Disposition and Renewed Motion for Judgment on Supplemental Recommendation



10/10/14	Order to Cease and Desist and Imposing Civil Penalty
10/22/14	Respondents' Notice of Appeal
10/24/14	Respondents' Petition for Review of Administrator's Order to Cease and Desist and Imposing Civil Penalty
10/24/14	Respondents' Application for Stay of Administrator's Order to Cease and Desist and Imposing Civil Penalty Pending Commission Review