

STATE OF OKLAHOMA  
DEPARTMENT OF SECURITIES  
THE 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

**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.

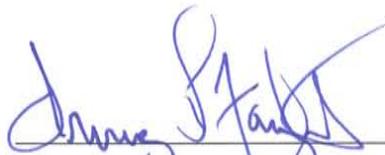
**ORDER**

**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 10<sup>th</sup> 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 10<sup>th</sup> 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:

Patrick O. Waddel, OBA #9254  
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**Attorneys for Respondents**

By electronic mail to:

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**Attorneys for the Department**

  
Z. Faye Martin Morton, General Counsel

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

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Frank H. Black (CRD #22451);

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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*