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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
whether there has been a violation  
of the Securities Act of Washington by:

RICHARD MACDUFF, PEAK OLYMPIC  
FINANCIAL, INC., AND OLYMPIC  
INCOME GROUP LIMITED  
PARTNERSHIP,

Respondents.

Order No. S-03-177-05-FO01

ENTRY OF FINDINGS OF FACT AND  
CONCLUSIONS OF LAW AND FINAL ORDER  
TO CEASE AND DESIST, DENYING  
REGISTRATIONS, AND IMPOSING FINE

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**INTRODUCTION**

On December 15, 2004, the Securities Administrator of the State of Washington issued Summary Order to Cease and Desist and Notice of Intent to Enter an Order to Cease and Desist, Deny Registrations, Impose Fines, and Charge Costs order number S-03-177-04-SC01, hereinafter referred to as the "Summary Order", against Respondents Richard MacDuff, Peak Olympic Financial, Inc., and Olympic Income Group Limited Partnership. The Summary Order, together with a Notice of Opportunity to Defend and Opportunity for Hearing (hereinafter referred to as "Notice of Opportunity for Hearing") and an Application for Adjudicative Hearing (hereinafter referred to as "Application for Hearing"), was served via certified mail on Richard MacDuff, Peak Olympic Financial, Inc., and Olympic Income Group Limited Partnership on February 2, 2005. The Notice of Opportunity for Hearing advised Richard MacDuff, Peak Olympic Financial, Inc., and Olympic Income Group Limited Partnership that they each had twenty days from the date they received the notice to file a written application for an adjudicative hearing on the Summary Order. The Summary Order further advised that if Richard MacDuff, Peak Olympic Financial, Inc., and Olympic Income Group Limited Partnership did not request a hearing, the

1 Securities Administrator intended to adopt the Tentative Findings of Fact and Conclusions of Law set  
2 forth in the Summary Order as final as to each of those Respondents, and impose a fine and deny the  
3 future registration of Richard MacDuff.

4 Richard MacDuff, Peak Olympic Financial, Inc., and Olympic Income Group Limited Partnership  
5 each failed to request an adjudicative hearing within twenty days of their receipt of the Summary Order and  
6 Notice of Opportunity for Hearing, either on the Application for Hearing provided or otherwise.

7 The Securities Administrator therefore adopts as final the findings of fact and conclusions of law  
8 as set forth in the Summary Order. The Securities Administrator finds as follows:

9 **FINDINGS OF FACT**

10 **I. Procedural History**

11 1. On November 15, 2004, the Securities Division entered into a Consent Order with Richard  
12 MacDuff's wife, Rachel MacDuff, in connection with alleged violations of the anti-fraud and registration  
13 provisions of the Securities Act of Washington. Pursuant to the terms of the Consent Order, Rachel  
14 MacDuff offered and paid partial restitution to investors in the amount of \$225,899.92. Rachel MacDuff  
15 also agreed not to apply for a license as a securities salesperson or investment adviser representative for  
16 a period of one year from the entry of the Consent Order.

17 **II. Respondents**

18 2. Richard MacDuff ("MacDuff"), a resident of Bremerton, Washington, was a registered  
19 securities salesperson in the State of Washington from December 2000 through December 2003.  
20 MacDuff was a registered investment adviser representative from January 29, 2003 to December 31,  
21 2003. From October 23, 2000 through February 11, 2002, MacDuff was employed by RBC Dain  
22 Rauscher Inc. MacDuff was discharged from RBC Dain Rauscher Inc. for a failure to comply with

1 company policies relating to the use of a non-company sponsored e-mail address and the use of options-  
2 related sales literature without obtaining prior approval. From February 22, 2002 through February 3,  
3 2003, MacDuff was employed by First Wall Street Corp. From January 29, 2003 through December 31,  
4 2003, MacDuff was employed by First Montauk Securities Corp. MacDuff is not currently registered as  
5 a securities salesperson or investment adviser representative with the State of Washington.

6 3. Peak Olympic Financial, Inc. (“POF”) is a Nevada corporation. POF was incorporated on  
7 July 29, 1998. MacDuff’s wife, Rachel MacDuff (“Rachel”), was the president. MacDuff was the  
8 secretary and treasurer.

9 4. Olympic Income Group Limited Partnership (“OIG”) is a Nevada limited partnership. The  
10 State of Nevada issued a certificate of limited partnership to OIG on April 7, 1999. POF was the general  
11 partner of OIG. MacDuff, Rachel, and their three children were the limited partners of OIG.

### 12 **III. Nature of the Conduct**

13 5. Throughout the mid 1990’s, MacDuff attended stock investment seminars held by Wade  
14 Cook Seminars Inc. (“Wade Cook Seminars”).<sup>1</sup> Wade Cook Seminars promoted investment strategies  
15 involving, *inter alia*, various types of options trading. Starting in at least October 1998, MacDuff began  
16 to trade equities and options using strategies promoted by Wade Cook Seminars.

17 6. MacDuff formed POF and OIG with the assistance of the Wade Cook organization. Based  
18 on what MacDuff learned through the Wade Cook Seminars, he believed that these entities would help  
19 protect his assets from creditors and shelter his planned trading gains from taxation by the federal  
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22 <sup>1</sup> In October 2000, the Washington State Attorney General, the Washington State Department of Financial Institutions, and the  
23 Federal Trade Commission entered into consent decrees with Wade Cook Financial Corp. and Wade Cook Seminars Inc. to settle  
24 charges that the entities engaged in misleading advertising about the profits earned by Wade Cook and his followers from the use  
25 of his trading strategies.

1 government. MacDuff and Rachel opened trading accounts in the name of POF. They also opened a  
2 bank account in the name of POF through Wells Fargo Bank in Las Vegas, Nevada.

3 7. MacDuff began to trade options using strategies he learned through Wade Cook Seminars.  
4 His initial strategies involved buying and selling “uncovered” or “naked” options. Options are contracts  
5 giving the holder the right to buy or sell a stock at a given price by a given date. Trading in “uncovered”  
6 or “naked” options involve the buying and selling of contracts on stocks that an investor does not own.  
7 By late 1999 and early 2000, MacDuff began to experiment with an options trading strategy called a  
8 “bull put spread.” A bull put spread involves purchasing a lower strike put and selling a higher strike put  
9 with the same expiration dates.

10 8. In approximately mid-January 2000, MacDuff was terminated from his job at a car  
11 dealership. He decided to work from home and trade options. With the assistance of a friend, Chris  
12 Peckham (“Peckham”), in approximately February 2000, MacDuff began to solicit investments in a  
13 pooled investment fund. Many of the investors were friends, neighbors, and co-workers of MacDuff and  
14 Peckham.

15 9. MacDuff presented the investment opportunity as having little or no risk while promising of  
16 substantial profits. For example, MacDuff stated in a letter to potential investors:

- 17 • Over the past two years we have spent a substantial amount of money attending  
18 seminars and reading as well as investing somewhat tentatively in the market. Now,  
19 we are receiving the rewards for the time and funds invested and we are willing to  
20 share it with YOU!
- 21 • The returns may seem a bit staggering and if you compare what you will receive to  
22 most money market funds . . . they are!

- Once a few months transpire and you're up 15% to 20% on your initial investment, we have some amazing plans for you to self direct any IRA's you may have. It will amaze you what the possibilities are once you know how to use them.
- The amount of your initial investment is guaranteed . . . Where else can you invest in anything with no risk to you (*sic*) initial deposit!
- The rate of return is guaranteed to be a minimum of 5%. We can not guarantee what it will be above that, but a safe bet would be somewhere between 10% and 15%.

10. MacDuff gave investors a receipt for the amount of their initial investment. In addition, MacDuff gave investors signed, undated checks drawn upon the POF Wells Fargo bank account. The checks were signed by MacDuff and made payable to the investors in the amount of their investment. MacDuff failed to disclose to investors that the POF account did not hold sufficient funds should the investors wish to cash their "guarantee" checks.

11. Starting in approximately February 2000 and continuing at least through August 2000, approximately 66 investors provided MacDuff funds totaling approximately \$687,500. Many of the investors were residents of Kitsap County, Washington, were seeking safety of their principal, and had a limited knowledge of investing.

12. Investor funds were deposited in the POF bank account at Wells Fargo. MacDuff transferred approximately \$587,000 to brokerage accounts held at Muriel Siebert & Co., E-Trade, and Ameritrade. The majority of the funds, over \$500,000, were deposited in an account at Muriel Siebert & Co.

13. MacDuff used the Wells Fargo bank account to pay for business and personal expenses as well. MacDuff paid himself a salary of \$1,500 per month. He also withdrew \$750 per month for "rent"

1 on their home office. Other payments were made for telephone bills, cable bills, medical bills, computer  
2 hardware and software, tax and accounting services, legal fees, and landscaping services for the  
3 MacDuff's home. MacDuff failed to disclose to investors that he withdrew a portion of their investment  
4 funds for his own use.

5 14. MacDuff received approximately \$100,000 from investors in March. He received  
6 approximately \$300,000 in April. In March, MacDuff began to utilize the options trading strategy of  
7 selling naked puts. When selling naked puts, the seller has the obligation to buy the stock at the put  
8 option strike price should the stock price decrease below the put option strike price. In return for this  
9 obligation, the seller receives a premium. If the stock price increases during the option period, the option  
10 will expire worthless and the seller retains the premium, and he is not required to purchase the stock.  
11 There is a risk of loss when selling naked puts should the stock price drop significantly during the option  
12 period. The seller may be obligated to buy stock at the put option strike price, stock that would be worth  
13 substantially less than the price paid for it. MacDuff failed to disclose to investors the significant risks  
14 associated with this trading strategy.

15 15. As the market declined in April 2000, MacDuff was forced to buy back the puts he had sold  
16 in March. He then sold more naked puts, in effect rolling out or extending his positions one more  
17 month. The influx of new investor money in April 2000 masked the losses in the trading account.  
18 MacDuff failed to disclose to investors the losses the account had sustained to date.

19 16. In May 2000, MacDuff consulted his tax advisor and a series of attorneys to discuss  
20 whether he and Rachel had set up a proper legal entity to handle investor funds. On or about May 4,  
21 2000, after a meeting with a securities law attorney, MacDuff believed that he had broken many laws  
22 and that he needed to return the money he had taken from the investors. At that time, MacDuff

1 calculated that if he were to liquidate the accounts, investors would receive 30% to 50% of their original  
2 investment.

3 17. MacDuff wrote a lengthy letter to investors about the current status of their investment and  
4 the illegal nature of MacDuff's investment activities. He also had in-person meetings with  
5 approximately three quarters of the investors at his home and in a church. He offered investors the  
6 opportunity to exit the fund and obtain legal advice, but dissuaded them from taking such a step.

7 MacDuff wrote:

- 8 • If one person ... decides to seek legal advise (*sic*) we will be shut down. Funds will  
9 be confiscated and *after the legal fees are paid from those funds*, what ever is left  
10 will be passed down on a pro-rated basis! I will plead my case, but the reality is –  
11 I'm guilty. I will be require (*sic*) to pay huge fines to the State and the Feds, which  
12 would come out of probably selling everything I own .... (emphasis in the original)
- 13 • If one of us (it won't be me) so chooses, they can seek legal advice. As I pointed  
14 out, I am guilty! No contest will be the plea and what ever happens will happen.  
15 The consequences would be that I would have no way to ever pay anyone back for  
16 the reasons I have already discussed. For the benefit of everyone and especially for  
17 Chris [Peckham] and my family's sake, I hope you don't choose that path. If you  
18 feel compelled, I understand. At least let us close the accounts and get back  
19 something before it's eaten up in legal fees and fines!

20 Instead of demanding a return of their money, MacDuff urged investors to give him time to repay them  
21 and to allow him to continue to trade their funds by promising a greater return if they waited. MacDuff

1 wrote: “The point is if *we* can get the funds out *under control*, you will wind up with more money than if  
2 we just let the courts take over! PERIOD.”

3 18. On or about June 8, 2000, investors were asked to exchange their “guarantee” checks for  
4 promissory notes. The promissory notes provided that investors would receive their original principal of  
5 their investment, plus 8% interest, by June 1, 2001. MacDuff and Rachel signed each note as borrowers  
6 and Peckham signed as a witness.

7 19. On October 23, 2000, MacDuff was hired by Dain Rauscher as a licensed securities  
8 salesperson. He failed to disclose his outside business activities involving POF and OIG, for fear that he  
9 would not be hired. Due to restrictions on holding securities trading accounts, MacDuff transferred the  
10 remaining investor funds to an account held in the name of Peckham. MacDuff used Peckham’s login  
11 name and password to trade in the account. MacDuff failed to disclose these activities to his employer.

12 20. In mid-November 2000, MacDuff sent an update to investors. He instructed investors to  
13 communicate with Peckham, due to his new employment in the securities industry. MacDuff wrote:  
14 “Communication should be with Chris Peckham. Why? Rich[ard] and Rach[el] are going even further  
15 out on a limb than before, but we feel we have no other choice open to us. As we want to pursue a  
16 career in the securities industry, we cannot be ‘involved’ with a private investment group that is trying to  
17 recover from this year. . . . We’re involved, but not involved. (Nothing will be in our social security  
18 number.)” MacDuff also encouraged investors to open an account with him at Dain Rauscher.

19 21. By at least March 2001, MacDuff had lost all of the investors’ funds. He began to repay  
20 investors approximately \$3,000 per month from his earnings as a stockbroker. As of July 2003,  
21 approximately \$193,270 had been repaid to investors by MacDuff and Rachel. In September and  
22 October 2004, Rachel repaid approximately \$225,000 to investors.



1 **IV. Registration Status**

2 22. Peak Olympic Financial Inc. and Olympic Income Group Limited Partnership are not  
3 currently registered under the Securities Act of Washington, RCW Ch. 21.20 et seq., as investment  
4 advisers or broker-dealers in the State of Washington and have not been previously so registered. Peak  
5 Olympic Financial, Inc. and Olympic Income Group Limited Partnership are not currently registered to  
6 offer or sell securities in the State of Washington and have not been previously so registered.

7 23. Richard MacDuff is not currently registered under the Securities Act of Washington, RCW  
8 Ch. 21.20 et seq., as an investment adviser, investment adviser representative, broker-dealer, or  
9 securities salesperson in the State of Washington. Richard MacDuff was registered with the State of  
10 Washington as a securities salesperson from December 8, 2000 through December 31, 2003. He was  
11 also registered as an investment adviser representative from January 29, 2003 to December 31, 2003.

12 Based upon the above Findings of Fact, the following Conclusions of Law are made:

13 **CONCLUSIONS OF LAW**

14 1. The offer and/or sale of investments in the POF/OIG fund and the promissory notes, as  
15 described above, constitute the offer and/or sale of securities as defined in RCW 21.20.005(10) and  
16 (12).

17 2. In connection with the offer and/or sale of said securities, Respondents Richard MacDuff,  
18 Peak Olympic Financial, Inc., and Olympic Income Group Limited Partnership, as described above,  
19 have willfully violated RCW 21.20.010 by engaging in a scheme or artifice to defraud, making untrue  
20 statements of material fact, or omitting to state material facts necessary in order to make the  
21 statements made, in light of the circumstances under which they were made, not misleading.

1 3. Respondents Richard MacDuff, Peak Olympic Financial, Inc., and Olympic Income Group  
2 Limited Partnership have violated RCW 21.20.040 by offering and/or selling said securities while not  
3 registered as investment advisers, investment adviser representatives, broker-dealers, or securities  
4 salespersons in the State of Washington.

5 4. The offer and/or sale of investments in the POF/OIG fund and the promissory notes by  
6 Respondents Richard MacDuff, Peak Olympic Financial, Inc., and Olympic Income Group Limited  
7 Partnership is in violation of RCW 21.20.140 because no registrations for such offers or sales are on  
8 file with the Securities Administrator.

9 **FINAL ORDER**

10 Based upon foregoing, NOW, THEREFORE, IT IS HEREBY ORDERED that Richard  
11 MacDuff, Peak Olympic Financial, Inc., and Olympic Income Group Limited Partnership cease and  
12 desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act.

13 IT IS FURTHER ORDERED that Richard MacDuff, Peak Olympic Financial, Inc., and Olympic  
14 Income Group Limited Partnership cease and desist from violating RCW 21.20.040 by acting as a  
15 securities broker-dealer or securities salesperson without being so registered.

16 IT IS FURTHER ORDERED that Richard MacDuff, Peak Olympic Financial, Inc., and Olympic  
17 Income Group Limited Partnership cease and desist from violating RCW 21.20.140 by offering and/or  
18 selling unregistered securities.

19 IT IS FURTHER ORDERED that Richard MacDuff shall be permanently denied registration as a  
20 securities salesperson, broker-dealer, investment adviser, or investment adviser representative in the State  
21 of Washington.

1 IT IS FURTHER ORDERED that, pursuant to RCW 21.20.395, Richard MacDuff shall pay a fine  
2 in the amount of \$30,000. Such payment shall be: (a) made by United States postal money order, certified  
3 check, bank cashier's check or bank money order; (b) made payable to the Washington State Treasurer; (c)  
4 delivered by certified mail to Michael E. Stevenson, Securities Administrator, Department of Financial  
5 Institutions, PO Box 9033, Olympia, Washington 98507-9033; and (d) submitted with a cover letter that  
6 identifies Richard MacDuff as a Respondent under these proceedings, and the Order number of these  
7 proceedings.

8 **AUTHORITY AND PROCEDURE**

9 This Final Order is entered pursuant to the provisions of RCW 21.20.110 and 21.20.390, and is  
10 subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. Respondents have the right to  
11 petition the superior court for judicial review of this agency action under the provisions of chapter 34.05  
12 RCW. For the requirements for filing a Petition for Judicial Review, see RCW 34.050.510 and sections  
13 following. Pursuant to 21.20.395, a certified copy of this order may be filed in Superior Court. If so  
14 filed, the clerk shall treat the order in the same manner as a Superior Court judgment as to the fine, and  
15 the fine may be recorded, enforced, or satisfied in like manner.

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17 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

18  
19 DATED and ENTERED this 1st day of March, 2005.

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22 MICHAEL E. STEVENSON  
23 Securities Administrator

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Approved by:



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Martin Cordell  
Chief of Enforcement

Presented by:



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Chad C. Standifer  
Staff Attorney