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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:

Damon Vickers;  
Frank H. Black;  
Southeast Investments, N.C., Inc.,

Respondents

Order No.: S-11-0597-15-CO01

CONSENT ORDER AS TO DAMON  
VICKERS

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**INTRODUCTION**

On August 19, 2015, the Securities Administrator of the Securities Division of the Department of Financial Institutions (“Securities Division”) issued a Statement of Charges and Notice of Intent to Issue an Order to Cease and Desist, Deny Future Registrations, Suspend Current Registrations, Impose Fines, and Charge Costs (“Statement of Charges”), Order Number S-11-0597-14-SC01, against the Respondents Damon Vickers, Frank H. Black, and Southeast Investments, N.C., Inc. Pursuant to the Securities Act of Washington, Chapter 21.20 RCW, the Securities Division and the Respondent Damon Vickers do hereby enter into this Consent Order in settlement of the matters alleged herein. The Respondent enters into this Consent Order in order to avoid the costs of litigation. The Respondent Damon Vickers neither admits nor denies the Findings of Fact and Conclusions of Law stated below.

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**FINDINGS OF FACT**

**Respondents**

1. Damon Vickers (“Vickers”) (CRD No. 1441432) is a resident of Sammamish, Washington. At various times between October 1995 and November 2013, Vickers was registered with the Securities Division as a securities salesperson at several broker-dealers. Between October 2008 and February 2014,

1 Vickers was a registered representative at Southeast Investments, N.C., Inc. Vickers was the Chief  
2 Investment Officer of Damon Vickers & Co., a registered trade name of his sole proprietorship. Between  
3 October 2008 through June 2013, Vickers used a business address in Seattle, Washington, and between  
4 February 2011 and February 2014, Vickers used a business address in San Juan, Puerto Rico. Vickers has  
5 never been registered with the Securities Division as an investment adviser or investment adviser  
6 representative, and is not currently registered with the Securities Division in any capacity.

7 2. Southeast Investments, N.C., Inc. (“Southeast Investments”) (CRD No. 43035) is a North  
8 Carolina corporation formed in 1996, with a principal place of business in Charlotte, North Carolina.  
9 Southeast Investments has been registered as a broker-dealer with the Securities Division since September  
10 2008. Between approximately September 2004 and April 2008, Southeast Investments was federally  
11 registered as an investment adviser with the U.S. Securities and Exchange Commission. Since December  
12 2009, Southeast Investments has been registered as an investment adviser in at least one state, and is  
13 currently registered as an investment adviser in five states (not including Washington).

14 3. Frank H. Black (“Black”) (CRD No. 22451) is a resident of South Carolina. Black is the  
15 President of Southeast Investments. Since October 2008, Black has been registered with the Securities  
16 Division as a securities salesperson. Black was the designated supervisor for Vickers. In 1979 and 1980,  
17 Black was subject to enforcement actions by securities regulators in Wisconsin and Georgia. In 2014,  
18 Black was subject to an enforcement action by securities regulators in Oklahoma, which is currently under  
19 appeal.  
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### 21 **Introduction**

22 4. Vickers engaged in excessive trading in his customers’ brokerage accounts. Due to the  
23 excessive trading and use of a commission-based compensation structure, Vickers received large  
24 commissions from trading customer accounts. From 2009 through 2012, Vickers earned approximately  
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1 \$5.3 million dollars in commissions. Certain commissions received by Vickers were unreasonable and  
2 constituted a high percentage of the customer's average portfolio value. Certain commissions were also  
3 unreasonable compared to what customers would have been charged with fee-based accounts. Black failed  
4 to reasonably supervise Vickers by approving his commission schedule. Southeast Investments failed to  
5 have adequate written policies and procedures in place regarding the review of discretionary accounts, and  
6 as a result, Black failed to adequately review Vickers' customer accounts for excessive trading.

### 7 **Background**

8 5. In October 2008, Vickers joined Southeast Investments as a registered representative with an  
9 office in Seattle, Washington. In at least 2009 and 2010, Vickers frequently appeared as a guest  
10 commentator on nationally-broadcast television and radio programs, and several customers first heard  
11 about Vickers through such appearances. During his media appearances, Vickers was introduced as the  
12 Managing Director of a hedge fund that he founded. At least one customer contacted Vickers to establish a  
13 brokerage account after he heard that Vickers made an approximate 63% return on the hedge fund.

14 6. Vickers selected the securities for customer accounts and then he had the trades executed.  
15 Vickers had discretionary trading authority in all of his customers' brokerage accounts, as he only did  
16 business on a discretionary basis. Vickers primarily used his discretionary authority to trade stocks for the  
17 customer accounts. In contrast, when Vickers purchased mutual funds for a customer, he did not make  
18 such purchases in the exercise of his discretion, but instead contacted the customer for approval. However,  
19 Vickers did not purchase mutual funds frequently, and overall, his customers had very little involvement in  
20 the trading decisions for their accounts.  
21

22 7. Vickers used a commission-based compensation schedule for providing a mix of investment  
23 advisory and brokerage services to customers. Each commission charged by Vickers was a comprehensive  
24 charge for his advice selecting securities to purchase and sell and for placing trade orders. Vickers charged  
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his customers a commission based on a percentage of the traded assets per trade. The percentage of assets per trade that Vickers charged depended on the total amount of assets in the customer account, as outlined in the following table:

<u>Account value</u>	<u>Commission</u>
Under \$1 million dollars	2% of traded assets per trade
\$1 million dollars or greater	1% of traded assets per trade
\$5 million dollars or greater	0.75% of traded assets per trade

Typically, accounts with investment advisory services do not have commission-based compensation. Accounts with investment advisory services are typically charged fee-based compensation. A fee-based account is an account in which the representative's compensation is based on a set percentage of the customer's assets, instead of on transaction-based commissions.

8. Vickers provided investment advisory services to his customers, in spite of the fact that he was never registered as an investment adviser or investment adviser representative. Vickers would have made substantially less in compensation if he had been a registered investment adviser or investment adviser representative managing fee-based accounts. For example, registered investment adviser representatives at Southeast Investments made as much as 3% per annum of assets under management. In contrast, Vickers made as much as approximately 18.35% per annum of a customer's average portfolio value in commissions.

### **Excessive Trading in Customer Accounts**

9. Vickers engaged in the excessive trading of customer accounts. Pursuant to RCW 21.20.035, excessive trading occurs when a broker-dealer or one of its securities salespersons knowingly effects transactions in a discretionary account that are excessive in size in view of the financial resources

1 and character of the account.

2 10. Vickers actively traded his customers' brokerage accounts, which in 2011 and 2012  
3 numbered over 100 accounts. On the Damon Vickers & Co. website, Vickers described his investment  
4 strategy as "Adaptive Trend Following," which involved actively positioning customer holdings in both up-  
5 trends and down-trends. Vickers did the same trades simultaneously for many of the accounts he managed,  
6 and he often submitted block orders divided among customer accounts to Southeast Investments for  
7 execution.

8 11. Vickers' active management of customer accounts resulted in a high frequency of trading in  
9 the accounts that was excessive in light of the financial resources of the customers and the character of their  
10 accounts. High turnover rates and cost-to-equity ratios are two indicators of excessive trading in accounts.  
11 As explained below, many of Vickers' customer accounts had high turnover rates and high cost-to-equity  
12 ratios.

13 *High Turnover Rates*

14 12. One metric of the excessive nature of Vickers' trading practices is the turnover rates in his  
15 customers' accounts. The turnover rate measures the volume of trading activity in a brokerage account.  
16 The turnover rate is the number of times, during a given time period, that the securities in an account are  
17 replaced by new securities, and is calculated by dividing the total dollar amount of securities purchased in a  
18 given period by the average monthly balance in the account. For example, a turnover rate of 1 means that  
19 during the given time period, all of the positions in an account have been sold and replaced by new  
20 positions. As there is no specific turnover rate that establishes excessive trading in an account, a case by  
21 case analysis is required.<sup>1</sup>

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23  
24 <sup>1</sup> Most of the case law in this area is regarding churning. Churning requires excessive trading and control of the account by the  
25 broker (such as discretionary trading authority). However, churning has a higher burden of proof than excessive trading as it also  
requires scienter. Scienter is not an element of excessive trading under RCW 21.20.035. According to the case law, a turnover  
rate of 4 or more is considered indicative of churning, and a turnover rate of 6 or more is considered presumptive of churning.

13. A review of 33 (approximately one-third) of Vickers' customer accounts for the year 2010 shows a pattern of high turnover in a majority of the accounts, with turnover rates as high as 6.6. As outlined in the table below, a majority of the accounts (approximately 66% of the accounts reviewed) had a turnover rate of 4 and above. Twelve accounts had a turnover rate of 5 and greater, and of these, five accounts had a turnover rate of 6 and greater.

Turnover Rate	Number of Accounts in this Range	Percentage of Accounts Reviewed (approx.)
6 to 7	5	15%
5 to 6	7	21%
4 to 5	10	30%
3 to 4	7	21%
2 to 3	3	9%
1 to 2	1	3%

*High Cost-to-Equity Ratios*

14. Another metric of the excessive nature of Vickers' trading is the cost-to-equity ratios of his customer accounts. The cost-to-equity ratio (which is also known as the "break even analysis") determines the rate of return that an account has to earn during a given time period just to cover account expenses and "break even." The cost-to-equity ratio is calculated by dividing the total costs (primarily commissions, but also including other expenses, such as service fees) in a given period by the average monthly balance in the account. For example, a cost-to-equity ratio of 5% means that the customer account needs at least a 5% investment return to cover account costs before the account breaks even.

15. A review of 33 (approximately one-third) of Vickers' customer accounts for the year 2010 shows a pattern of high cost-to-equity ratios in the accounts, which were as high as 24.83% (in percentage form). As outlined in the table below, almost all of the accounts had a cost-to-equity ratio of at least 5%, and the majority greatly exceeded this amount. The average cost-to-equity ratio among the 33 accounts was 12.66%.

<b>Cost-to-equity Ratio</b>	<b>Number of Accounts in this Range</b>	<b>Percentage of Accounts Reviewed (approx.)</b>
20-25%	5	15%
15-20%	3	9%
10-15%	15	45%
5-10%	9	27%
0-5%	1	3%

16. Trading practices that require an account to earn returns in excess of 20% just to break even are indicative of excessive trading. At least five of Vickers' customer accounts would have needed at least a 20% return on their account to break even.

#### **Unreasonable Commissions**

17. Vickers received unreasonable commissions from trading his customer accounts. Vickers generated high commissions for himself due to his excessive trading and use of a commission-based compensation schedule, with commissions that more than doubled between 2009 and 2012. Over four years, Vickers generated approximately \$5.3 million dollars in commissions, as shown in the following table:

<b>Year</b>	<b>Annual Commission (approx.)</b>
2009	\$703,777
2010	\$879,948
2011	\$1,938,458
2012	\$1,777,681
<b>Total</b>	<b>\$5,299,864</b>

The commissions that Vickers received were unreasonable because they constituted a high percentage of the customer's portfolio value. Furthermore, the commissions were unreasonable compared to what customers would have been charged if their accounts had a fee-based compensation schedule.

*Commissions Constitute High Percentage of Portfolio Value*

18. Vickers' customers ultimately paid commissions that constituted a large percentage of their account value. A review of 33 customer accounts (approximately one-third of all Vickers' accounts) in 2010 shows a pattern of high commissions as a percentage of the average portfolio value. Certain commissions, as a percentage of the average portfolio value for Vickers' customers, were as high as 18.35%. Over half of the accounts (approximately 60%) paid commissions of 10% or more of their average portfolio value in a one-year time period, and six accounts paid commissions of 15% or more of their average portfolio value.

<b>Commissions as % of the Average Portfolio Value</b>	<b>Number of Accounts in this Range</b>	<b>Percentage of Accounts Reviewed (approx.)</b>
15-20%	6	18%
10-15%	14	42%
5-10%	9	27%
0-5%	4	12%

19. The majority of customer accounts reviewed did not have positive investment returns to offset the large commissions that they were charged. In 2010, twenty-three of the accounts had a negative return ranging from -1.88% to -15.90%. For example, Customers A, B and C, who are within the sample of accounts reviewed, had negative returns in 2010. For the accounts of these customers, the table below details the commissions paid during 2010 for the account, the commissions as a percentage of the average portfolio value, and the cumulative account performance during 2010:

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Customer	Account	Average Account Balance (approx.)	Commissions Paid (approx.)	Commissions as % of Portfolio (approx.)	Cumulative Account Performance (approx.)
Customer A	IRA	\$79,685	\$8,139	10.21%	-13.50%
Customer A	SEP IRA	\$206,834	\$22,729	10.99%	-15.89%
Customer A	Individual Brokerage	\$135,607	\$15,773	11.63%	-11.98%
Customer B	Roth IRA	\$13,782	\$2,305	16.72%	-11.45%
Customer C	SEP IRA	\$88,233	\$7,444	8.44%	-11.11%

20. In 2010, Customers A, B, and C had frequent trading in their accounts and high turnover rates ranging from 3.1 to 6.6. These customers had commissions as a percentage of the average portfolio value that were as high as 16.72%. Given what they were paying in commissions, these customers would have had to earn large investment returns (approximately 10-16%) to break even. In fact, Vickers' trading strategies were not successful and all of their accounts had a negative performance during the year. These customers experienced substantial losses in their accounts, which were compounded by the large amount of commissions they paid due to Vickers' frequent trading.

21. Even accounts with a positive return often had commissions that were higher than their investment return. In 2010, ten of the customer accounts reviewed had a positive return, six of which had commissions that were higher than their investment return. The table below details the commissions paid during 2010 for these six accounts, the commissions as a percentage of the average portfolio value, the account performance during 2010, and the difference between the commissions as a percentage of the average portfolio value and the cumulative account performance:

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Customer	Account	Average Account Balance (approx.)	Commissions Paid (approx.)	Commissions as Percentage of Portfolio (approx.)	Cumulative Account Performance (approx.)	Difference (approx.)
Customer D	Individual Brokerage	\$45,498	\$5,667	12.46%	2.76%	9.70%
Customer E	SEP IRA	\$47,293	\$5,026	10.63%	2.29%	8.34%
Customer E	Individual Brokerage	\$988	\$31	3.12%	1.72%	1.40%
Customer F	IRA	\$23,050	\$2,922	12.68%	4.35%	8.33%
Customer G	IRA	\$211,180	\$21,944	10.39%	5.87%	4.52%
Customer H	Roth IRA	\$40,692	\$1,650	4.06%	1.11%	2.95%

Even with a positive return, these customers needed up to an additional 9.70% return in order to break even. Only four customers (approximately 12% of the sample) still had a net outcome that was positive when the percentage of their commissions were subtracted from their cumulative account performance.

*Comparison to Fee-Based Accounts*

22. The commissions that Vickers received were unreasonable compared to what customers would have been charged if their accounts had a fee-based compensation schedule. As previously mentioned, accounts that include investment advisory services typically have fee-based compensation. In addition, fee-based accounts are generally more beneficial for customers who have at least a moderate amount of trading in their account, and protect customers from excessive trading commissions. Vickers received an unreasonable commission as he should have utilized a fee-based, rather than a commission-based, compensation schedule for his customer accounts.

23. Two common types of fee-based accounts are fee-based brokerage accounts and investment advisory accounts, which both charge a percentage of assets under management. As discussed below, both fee-based brokerage accounts and investment advisory accounts offer similar services to those that Vickers provided, but have significantly lower fees than the commissions charged by Vickers.

1           24.     A fee-based brokerage account, also known as a “wrap account,” is an account that offers a  
2 bundle of services, typically brokerage services with an investment advice component. A wrap account has  
3 a comprehensive fee for all services, generally a percentage of assets under management that is charged  
4 quarterly. From 2009 through 2012, the standard wrap account fee charged by Southeast Investments  
5 representatives was as high as 3% per annum of the customer’s assets under management. The fees  
6 charged by a wrap account are well suited for customers who will have a high frequency of trading in their  
7 account.

8           25.     An investment advisory account is an account that is actively managed and monitored by a  
9 registered investment adviser. Investment advisory accounts have a comprehensive fee for investment  
10 advisory services and for placing trade orders. The fee is typically a percentage of assets under  
11 management, and generally, the more assets under management, the lower the fee charged to the customer.  
12 From 2009 through 2012, the investment advisory fee charged by Southeast Investments representatives  
13 was as high as 3% per annum of the customer’s assets under management. The fees charged by investment  
14 advisory accounts are also well suited for customers who will have a high frequency of trading in their  
15 account.  
16

17           26.     Unlike wrap accounts and investment advisory accounts, Vickers’ compensation schedule  
18 was not well suited for customers with a high frequency of trading in their accounts. Fee-based accounts  
19 would have saved Vickers’ customers a considerable amount of money. Both wrap accounts and  
20 investment advisory accounts, managed by Southeast Investments representatives, had annual fees as high  
21 as 3% of the customer’s assets under management. In comparison, in 2010 Vickers’ customer accounts  
22 were charged an average of 10.98% of their average account value in commissions, and one account was  
23 charged as much as 18.35% per annum of its average account value.

24           27.     If Vickers had placed his customers in fee-based accounts, they would have avoided  
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hundreds and in some cases, thousands of dollars, in commissions. For example, the table below outlines what Customers A, B, and C would have paid in 2010 if they had been put into fee-based accounts that charged 3% of their average account balance for the year. Most notably, as shown in the following table, Customer A would have saved a total of nearly \$34,000 in just one year:

Customer	Account	Average Account Balance (approx.)	3% Fee-Based Compensation (approx.)	Actual Commissions Paid (approx.)	Difference (approx.)
Customer A	IRA	\$79,685	\$2,391	\$8,139	\$5,748
Customer A	SEP IRA	\$206,834	\$6,205	\$22,729	\$16,524
Customer A	Individual Brokerage	\$135,607	\$4,068	\$15,773	\$11,705
Customer B	Roth IRA	\$13,782	\$413	\$2,305	\$1,892
Customer C	SEP IRA	\$88,233	\$2,647	\$7,444	\$4,797

### Supervision of Vickers

28. During the relevant time period, Vickers was a registered representative at Southeast Investments and was supervised by Black, who is based in Charlotte, North Carolina. Black is also the Chief Compliance Officer of Southeast Investments. Between at least 2008 and 2012, Vickers committed multiple violations of the Securities Act of Washington while employed at Southeast Investments and under the supervision of Black. Black failed to reasonably supervise Vickers by approving his commission-based compensation schedule. Southeast Investments failed to have adequate written policies and procedures in place regarding the review of discretionary accounts and as a result Black failed to adequately review Vickers' customer accounts for excessive trading.

### *Approval of Vickers' Commission Schedule*

29. Contrary to typical broker-dealer practices, Southeast Investments allowed their registered representatives to negotiate their compensation structure. When Vickers joined Southeast Investments, Black approved his proposal to use a commission-based compensation structure for his discretionary

1 accounts. Southeast Investments benefitted from Vickers' use of this compensation schedule to generate  
2 large commissions. Beginning in April 2009, Southeast Investments received 10% of the total  
3 commissions paid by the customers of Vickers.

4 30. When reviewing Vickers' proposed commission schedule, Black approved it because the  
5 commission percentage was below 5%. When approving Vickers' commission-based compensation  
6 schedule, Black failed to take into consideration the anticipated level of trading activity in Vickers'  
7 customer accounts and the large commissions that would be generated from such trading practices. Black  
8 also failed to consider the overall needs and objectives of the customers and the benefits of other available  
9 compensation structures. By approving Vickers' compensation schedule, Black allowed Vickers to receive  
10 unreasonable trading commissions.

11 *Failure to Establish Adequate Supervisory System for the Review of Discretionary Accounts*

12 31. Southeast Investments failed to establish adequate systems to detect and prevent excessive  
13 trading. Southeast Investments did not have sufficient written supervisory procedures in place to govern  
14 the review of discretionary accounts, such as a written policy specifying that accounts with high turnover  
15 ratios should be given immediate attention and further review. As a result of Southeast Investment's failure  
16 to establish adequate supervisory procedures, Black failed to adequately review Vickers' accounts for  
17 excessive trading.  
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19 32. Black approved all of Vickers' accounts as discretionary accounts, and he was responsible  
20 for reviewing the accounts. Black personally reviewed all trades made by Vickers (typically multiple  
21 trades each month for customers), and he also reviewed Vickers' discretionary accounts on a monthly basis.  
22 When reviewing the accounts, Black did not utilize any exception reports and he did not follow up on the  
23 red flags associated with Vickers' frequent trades. When reviewing Vickers' accounts, Black never found  
24 any instances of excessive trading in the accounts, in spite of the fact that the turnover ratio in some  
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1 accounts was more than 6. Moreover, Black never contacted any of Vickers' customers that had accounts  
2 with high turnover ratios to determine whether the voluminous trading activity was acceptable to the  
3 customer and conformed to their objectives.

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

### 5 CONCLUSIONS OF LAW

6 1. Respondent Damon Vickers acted as an investment adviser and/or an investment adviser  
7 representative, as defined in RCW 21.20.005(8) and (9), by receiving compensation for selecting securities  
8 to purchase and sell for customer accounts.

9 2. Respondent Damon Vickers violated RCW 21.20.040 by transacting business as an  
10 investment adviser and/or investment adviser representative while not registered in the State of  
11 Washington.

12 3. Respondent Damon Vickers violated RCW 21.20.035, by knowingly effecting transactions  
13 in discretionary accounts of customers that were excessive in size in view of the financial resources and  
14 character of the accounts. Such conduct is also a dishonest or unethical practice as defined by WAC 460-  
15 22B-090(6), and is grounds for the denial of future securities registration applications pursuant to RCW  
16 21.20.110(1)(g).

17 4. Respondent Damon Vickers, as described above, received an unreasonable commission or  
18 profit from trading customer accounts. Such conduct is a dishonest or unethical practice as defined by  
19 WAC 460-22B-090(11), and is grounds for the denial of future securities registration applications pursuant  
20 to RCW 21.20.110(1)(g). Such conduct is also grounds to impose a fine pursuant to RCW 21.20.110(1)  
21 and to recover investigative costs pursuant to RCW 21.20.390.

22 5. Respondent Damon Vickers used a trading strategy for customer accounts that resulted in  
23 the purchase and sale of securities that were unsuitable, in violation of RCW 21.20.702. Such conduct is  
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1 also a violation of RCW 21.20.110(1)(g) and WAC 460-22B-090(7) and is grounds for the denial of future  
2 securities registration applications.

3 6. Respondent Frank H. Black failed to reasonably supervise Damon Vickers by approving  
4 Vickers' commission-based compensation schedule. Vickers was a securities salesperson subject to  
5 Black's supervision who committed violations of the Securities Act of Washington. Such conduct is  
6 grounds for the suspension of securities registrations and to impose a fine pursuant to RCW  
7 21.20.110(1)(j).

8 7. Respondent Southeast Investments failed to establish, maintain, and enforce an adequate  
9 supervisory system for discretionary accounts, including failing to develop adequate policies and  
10 procedures for the review of discretionary accounts. Such conduct is a violation of RCW 21.20.110(1)(g)  
11 and WAC 460-21B-060(24) for failing to comply with an applicable provision of the NASD Conduct  
12 Rules, namely NASD Rule 3010 and FINRA Rule 2010. Such conduct is grounds to suspend broker-dealer  
13 registration. Such conduct is also grounds to impose a fine pursuant to RCW 21.2.110(1) and RCW  
14 21.20.395 and to recover investigative costs pursuant to RCW 21.20.390.  
15

### 16 17 **CONSENT ORDER**

18 Based upon the foregoing and finding it in the public interest:

19 IT IS AGREED AND ORDERED that the Respondent Damon Vickers shall cease and desist from  
20 violation of RCW 21.20.040, the investment adviser registration section of the Securities Act of  
21 Washington.

22 IT IS FURTHER AGREED AND ORDERED that the Respondent Damon Vickers shall cease and  
23 desist from violation of RCW 21.20.035, the excessive trading provision of the Securities Act of  
24 Washington.  
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1 IT IS FURTHER AGREED AND ORDERED that the Respondent Damon Vickers shall cease and  
2 desist from violation of RCW 21.20.702, the suitability section of the Securities Act of Washington.

3 IT IS FURTHER AGREED AND ORDERED, pursuant to RCW 21.20.110(1), that Respondent  
4 Damon Vickers shall not make application for nor be granted an investment adviser, broker-dealer,  
5 investment adviser representative, or securities salesperson license for a period of five (5) years from the  
6 entry date of this Consent Order.

7 IT IS FURTHER AGREED that the Respondent Damon Vickers shall be liable for and shall pay the  
8 investigative costs incurred in the investigation of this matter in the amount of \$5,000 on or before the  
9 entry date of this Consent Order.

10 IT IS FURTHER AGREED that the Respondent Damon Vickers shall be liable for and shall pay a  
11 fine in the amount of \$15,000. Respondent Damon Vickers shall pay \$3,000 before the entry date of this  
12 Consent Order, and shall make payments of \$2,000 per month for six (6) consecutive months. Each  
13 payment shall be due by the last day of the month. The first payment shall be due by March 31, 2016.

14 IT IS FURTHER AGREED that if the Respondent Damon Vickers fails to make any monthly  
15 payment, the fine imposed in this Consent Order shall become immediately due and payable, and the  
16 Securities Division may seek enforcement of the Consent Order pursuant to RCW 21.20.395.

17 Except in an action by the Securities Division to enforce the obligations of the Respondent in this  
18 Consent Order, this Consent Order and findings are not binding in any other proceeding. For any person  
19 or entity not a party to this Consent Order, this Consent Order does not create any private rights, remedies,  
20 or liabilities against the Respondent and does not limit any defense by the Respondent to any claim.

21 IT IS FURTHER AGREED that the Respondent Damon Vickers enters into this Consent Order  
22 freely and voluntarily and with a full understanding of its terms and significance.

23 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this order.  
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1 IT IS FURTHER AGREED that in consideration of the foregoing, the Respondent Damon Vickers  
2 waives his right to a hearing and to judicial review of this matter pursuant to RCW 21.20.440 and  
3 Chapter 34.05 RCW.  
4

5 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE  
6

7 SIGNED this 29 day of Feb, 2016.

8 Approved for Entry by:

9  
10 /s/  
11 Robert G. Chadwell, Attorney for Respondent  
12 Washington State Bar No. 22683

13 Approved for Entry by:

14 /s/  
15 Krysta A. Liveris, Attorney for Respondent  
16 Washington State Bar No. 39581

17 Signed by:

18 /s/  
19 Damon Vickers, individually  
20

1 DATED AND ENTERED this 9th day of March, 2016.

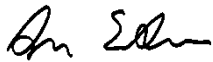
3 By:

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5 \_\_\_\_\_  
6 William M. Beatty  
7 Securities Administrator

8 Approved by:

9 Presented by:

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12 \_\_\_\_\_  
13 Suzanne Sarason  
14 Chief of Enforcement

15 \_\_\_\_\_  
16 Bridgett Fisher  
17 Financial Legal Examiner

18 Reviewed by:

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20 \_\_\_\_\_  
21 Robert Kondrat  
22 Financial Legal Examiner Supervisor

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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:

Damon Vickers;  
Frank H. Black;  
Southeast Investments, N.C., Inc.,

Respondents.

Order Number S-11-0597-14-SC01

STATEMENT OF CHARGES AND  
NOTICE OF INTENT TO ISSUE AN  
ORDER TO CEASE AND DESIST, DENY  
FUTURE REGISTRATIONS, SUSPEND  
CURRENT REGISTRATIONS, IMPOSE  
FINES, AND CHARGE COSTS

9 THE STATE OF WASHINGTON TO:

Damon Vickers (CRD No. 1441432)  
Frank H. Black (CRD No. 22451)  
Southeast Investments, N.C., Inc. (CRD No. 43035)

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**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that the Respondents Damon Vickers, Frank H. Black, and Southeast Investments, N.C., Inc. have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator against each to cease and desist from such violations pursuant to RCW 21.20.390, to deny future securities registration applications and suspend current securities registrations pursuant to RCW 21.20.110(1), to impose a fine pursuant to RCW 21.20.395 and RCW 21.20.110, and to charge costs pursuant to RCW 21.20.390. The Securities Administrator finds as follows:

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**TENTATIVE FINDINGS OF FACT**

**Respondents**

1. Damon Vickers (“Vickers”) (CRD No. 1441432) is a resident of Sammamish,

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STATEMENT OF CHARGES AND NOTICE OF  
INTENT TO ISSUE AN ORDER TO CEASE  
AND DESIST, DENY FUTURE  
REGISTRATIONS, SUSPEND CURRENT  
REGISTRATIONS, IMPOSE FINES, AND  
CHARGE COSTS

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DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

1 Washington. At various times between October 1995 and November 2013, Vickers was registered with  
2 the Securities Division as a securities salesperson at several broker-dealers. Between October 2008 and  
3 February 2014, Vickers was a registered representative at Southeast Investments, N.C., Inc. Vickers was  
4 the Chief Investment Officer of Damon Vickers & Co., a registered trade name of his sole  
5 proprietorship. Between October 2008 through June 2013, Vickers used a business address in Seattle,  
6 Washington, and between February 2011 and February 2014, Vickers used a business address in San  
7 Juan, Puerto Rico. Vickers has never been registered with the Securities Division as an investment  
8 adviser or investment adviser representative, and is not currently registered with the Securities Division  
9 in any capacity.

10 2. Southeast Investments, N.C., Inc. ("Southeast Investments") (CRD No. 43035) is a North  
11 Carolina corporation formed in 1996, with a principal place of business in Charlotte, North Carolina.  
12 Southeast Investments has been registered as a broker-dealer with the Securities Division since  
13 September 2008. Between approximately September 2004 and April 2008, Southeast Investments was  
14 federally registered as an investment adviser with the U.S. Securities and Exchange Commission. Since  
15 December 2009, Southeast Investments has been registered as an investment adviser in at least one state,  
16 and is currently registered as an investment adviser in five states (not including Washington).

17 3. Frank H. Black ("Black") (CRD No. 22451) is a resident of South Carolina. Black is the  
18 President of Southeast Investments. Since October 2008, Black has been registered with the Securities  
19 Division as a securities salesperson. Black was the designated supervisor for Vickers. In 1979 and  
20 1980, Black was subject to enforcement actions by securities regulators in Wisconsin and Georgia. In  
21 2014, Black was subject to an enforcement action by securities regulators in Oklahoma, which is

1 currently under appeal.

## 2 **Introduction**

3 4. Vickers engaged in excessive trading in his customers' brokerage accounts. Due to the  
4 excessive trading and use of a commission-based compensation structure, Vickers received large  
5 commissions from trading customer accounts. From 2009 through 2012, Vickers earned approximately  
6 \$5.3 million dollars in commissions. The commissions received by Vickers were unreasonable and  
7 constituted a high percentage of the customer's average portfolio value. The commissions were also  
8 unreasonable compared to what customers would have been charged with fee-based accounts. Black  
9 failed to reasonably supervise Vickers by approving his commission schedule. Southeast Investments  
10 failed to have adequate written policies and procedures in place regarding the review of discretionary  
11 accounts, and as a result, Black failed to adequately review Vickers' customer accounts for excessive  
12 trading.

## 13 **Background**

14 5. In October 2008, Vickers joined Southeast Investments as a registered representative with  
15 an office in Seattle, Washington. In at least 2009 and 2010, Vickers frequently appeared as a guest  
16 commentator on nationally-broadcast television and radio programs, and several customers first heard  
17 about Vickers through such appearances. During his media appearances, Vickers was introduced as the  
18 Managing Director of a hedge fund that he founded. At least one customer contacted Vickers to  
19 establish a brokerage account after he heard that Vickers made an approximate 63% return on the hedge  
20 fund.

21 6. Vickers selected the securities for customer accounts and then he had the trades executed.

Vickers had discretionary trading authority in all of his customers' brokerage accounts, as he only did business on a discretionary basis. Vickers primarily used his discretionary authority to trade stocks for the customer accounts. In contrast, when Vickers purchased mutual funds for a customer, he did not make such purchases in the exercise of his discretion, but instead contacted the customer for approval. However, Vickers did not purchase mutual funds frequently, and overall, his customers had very little involvement in the trading decisions for their accounts.

7. Vickers used a commission-based compensation schedule for providing a mix of investment advisory and brokerage services to customers. Each commission charged by Vickers was a comprehensive charge for his advice selecting securities to purchase and sell and for placing trade orders. Vickers charged his customers a commission based on a percentage of the traded assets per trade. The percentage of assets per trade that Vickers charged depended on the total amount of assets in the customer account, as outlined in the following table:

<u>Account value</u>	<u>Commission</u>
Under \$1 million dollars	2% of traded assets per trade
\$1 million dollars or greater	1% of traded assets per trade
\$5 million dollars or greater	0.75% of traded assets per trade

Typically, accounts with investment advisory services do not have commission-based compensation. Accounts with investment advisory services are typically charged fee-based compensation. A fee-based account is an account in which the representative's compensation is based on a set percentage of the customer's assets, instead of on transaction-based commissions.

1 8. Vickers provided investment advisory services to his customers, in spite of the fact that  
2 he was never registered as an investment adviser or investment adviser representative. Vickers would  
3 have made substantially less in compensation if he had been a registered investment adviser or  
4 investment adviser representative managing fee-based accounts. For example, registered investment  
5 adviser representatives at Southeast Investments made as much as 3% per annum of assets under  
6 management. In contrast, Vickers made as much as approximately 18.35% per annum of a customer's  
7 average portfolio value in commissions.

### 8 **Excessive Trading in Customer Accounts**

9 9. Vickers engaged in the excessive trading of customer accounts. Pursuant to RCW  
10 21.20.035, excessive trading occurs when a broker-dealer or one of its securities salespersons knowingly  
11 effects transactions in a discretionary account that are excessive in size in view of the financial resources  
12 and character of the account. The purpose of RCW 21.20.035 is to prevent securities salespersons from  
13 frequently trading in an account in order to generate commissions for themselves and their firm, rather  
14 than trading when it is in the customer's interest.

15 10. Vickers actively traded his customers' brokerage accounts, which in 2011 and 2012  
16 numbered over 100 accounts. On the Damon Vickers & Co. website, Vickers described his investment  
17 strategy as "Adaptive Trend Following," which involved actively positioning customer holdings in both  
18 up-trends and down-trends. Vickers did the same trades simultaneously for many of the accounts he  
19 managed, and he often submitted block orders divided among customer accounts to Southeast  
20 Investments for execution.

21 11. Vickers' active management of customer accounts resulted in a high frequency of trading

1 in the accounts that was excessive in light of the financial resources of the customers and the character  
2 of their accounts. High turnover rates and cost-to-equity ratios are two indicators of excessive trading in  
3 accounts. As explained below, many of Vickers' customer accounts had high turnover rates and high  
4 cost-to-equity ratios.

### 5 *High Turnover Rates*

6 12. One metric of the excessive nature of Vickers' trading practices is the turnover rates in  
7 his customers' accounts. The turnover rate measures the volume of trading activity in a brokerage  
8 account. The turnover rate is the number of times, during a given time period, that the securities in an  
9 account are replaced by new securities, and is calculated by dividing the total dollar amount of securities  
10 purchased in a given period by the average monthly balance in the account. For example, a turnover rate  
11 of 1 means that during the given time period, all of the positions in an account have been sold and  
12 replaced by new positions. As there is no specific turnover rate that establishes excessive trading in an  
13 account, a case by case analysis is required.<sup>1</sup>

14 13. A review of 33 (approximately one-third) of Vickers' customer accounts for the year  
15 2010 shows a pattern of high turnover in a majority of the accounts, with turnover rates as high as 6.6.  
16 As outlined in the table below, a majority of the accounts (approximately 66% of the accounts reviewed)  
17 had a turnover rate of 4 and above. Twelve accounts had a turnover rate of 5 and greater, and of these,  
18 five accounts had a turnover rate of 6 and greater.

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21 <sup>1</sup> Most of the case law in this area is regarding churning. Churning requires excessive trading and control of the account by the  
22 broker (such as discretionary trading authority). However, churning has a higher burden of proof than excessive trading as it  
also requires scienter. According to the case law, a turnover rate of 4 or more is considered indicative of churning, and a  
turnover rate of 6 or more is considered presumptive of churning.



Turnover Rate	Number of Accounts in this Range	Percentage of Accounts Reviewed (approx.)
6 to 7	5	15%
5 to 6	7	21%
4 to 5	10	30%
3 to 4	7	21%
2 to 3	3	9%
1 to 2	1	3%

*High Cost-to-Equity Ratios*

14. Another metric of the excessive nature of Vickers' trading is the cost-to-equity ratios of his customer accounts. The cost-to-equity ratio (which is also known as the "break even analysis") determines the rate of return that an account has to earn during a given time period just to cover account expenses and "break even." The cost-to-equity ratio is calculated by dividing the total costs (primarily commissions, but also including other expenses, such as service fees) in a given period by the average monthly balance in the account. For example, a cost-to-equity ratio of 5% means that the customer account needs at least a 5% investment return to cover account costs before the account breaks even.

15. A review of 33 (approximately one-third) of Vickers' customer accounts for the year 2010 shows a pattern of high cost-to-equity ratios in the accounts, which were as high as 24.83% (in percentage form). As outlined in the table below, almost all of the accounts had a cost-to-equity ratio of at least 5%, and the majority greatly exceeded this amount. The average cost-to-equity ratio among the 33 accounts was 12.66%.

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<b>Cost-to-equity Ratio</b>	<b>Number of Accounts in this Range</b>	<b>Percentage of Accounts Reviewed (approx.)</b>
20-25%	5	15%
15-20%	3	9%
10-15%	15	45%
5-10%	9	27%
0-5%	1	3%

16. Trading practices that require an account to earn returns in excess of 20% just to break even are indicative of excessive trading. At least five of Vickers' customer accounts would have needed at least a 20% return on their account to break even.

### **Unreasonable Commissions**

17. Vickers received unreasonable commissions from trading his customer accounts. Vickers generated high commissions for himself due to his excessive trading and use of a commission-based compensation schedule, with commissions that more than doubled between 2009 and 2012. Over four years, Vickers generated approximately \$5.3 million dollars in commissions, as shown in the following table:

<b>Year</b>	<b>Annual Commission (approx.)</b>
2009	\$703,777
2010	\$879,948
2011	\$1,938,458
2012	\$1,777,681
<b>Total</b>	<b>\$5,299,864</b>

The commissions that Vickers received were unreasonable because they constituted a high percentage of the customer's portfolio value. Furthermore, the commissions were unreasonable compared to what

1 customers would have been charged if their accounts had a fee-based compensation schedule.

2 *Commissions Constitute High Percentage of Portfolio Value*

3 18. Vickers' customers ultimately paid commissions that constituted a large percentage of  
4 their account value. A review of 33 customer accounts (approximately one-third of all Vickers'  
5 accounts) in 2010 shows a pattern of high commissions as a percentage of the average portfolio value.  
6 The commissions, as a percentage of the average portfolio value for Vickers' customers, were as high as  
7 18.35%. Over half of the accounts (approximately 60%) paid commissions of 10% or more of their  
8 average portfolio value in a one-year time period, and six accounts paid commissions of 15% or more of  
9 their average portfolio value.

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11 <b>Commissions as % of the Average Portfolio Value</b>	12 <b>Number of Accounts in this Range</b>	13 <b>Percentage of Accounts Reviewed (approx.)</b>
14 15-20%	6	18%
10-15%	14	42%
5-10%	9	27%
0-5%	4	12%

15 19. The majority of customer accounts reviewed did not have positive investment returns to  
16 offset the large commissions that they were charged. In 2010, twenty-three of the accounts had a  
17 negative return ranging from -1.88% to -15.90%. For example, Customers A, B and C, who are within  
18 the sample of accounts reviewed, had negative returns in 2010. For the accounts of these customers, the  
19 table below details the commissions paid during 2010 for the account, the commissions as a percentage  
20 of the average portfolio value, and the cumulative account performance during 2010:

Customer	Account	Average Account Balance (approx.)	Commissions Paid (approx.)	Commissions as % of Portfolio (approx.)	Cumulative Account Performance (approx.)
Customer A	IRA	\$79,685	\$8,139	10.21%	-13.50%
Customer A	SEP IRA	\$206,834	\$22,729	10.99%	-15.89%
Customer A	Individual Brokerage	\$135,607	\$15,773	11.63%	-11.98%
Customer B	Roth IRA	\$13,782	\$2,305	16.72%	-11.45%
Customer C	SEP IRA	\$88,233	\$7,444	8.44%	-11.11%

20. In 2010, Customers A, B, and C had frequent trading in their accounts and high turnover rates ranging from 3.1 to 6.6. These customers had commissions as a percentage of the average portfolio value that were as high as 16.72%. Given what they were paying in commissions, these customers would have had to earn large investment returns (approximately 10-16%) to break even. In fact, Vickers' trading strategies were not successful and all of their accounts had a negative performance during the year. These customers experienced substantial losses in their accounts, which were compounded by the large amount of commissions they paid due to Vickers' frequent trading.

21. Even accounts with a positive return often had commissions that were higher than their investment return. In 2010, ten of the customer accounts reviewed had a positive return, six of which had commissions that were higher than their investment return. The table below details the commissions paid during 2010 for these six accounts, the commissions as a percentage of the average portfolio value, the account performance during 2010, and the difference between the commissions as a percentage of the average portfolio value and the cumulative account performance:

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Customer	Account	Average Account Balance (approx.)	Commissions Paid (approx.)	Commissions as Percentage of Portfolio (approx.)	Cumulative Account Performance (approx.)	Difference (approx.)
Customer D	Individual Brokerage	\$45,498	\$5,667	12.46%	2.76%	9.70%
Customer E	SEP IRA	\$47,293	\$5,026	10.63%	2.29%	8.34%
Customer E	Individual Brokerage	\$988	\$31	3.12%	1.72%	1.40%
Customer F	IRA	\$23,050	\$2,922	12.68%	4.35%	8.33%
Customer G	IRA	\$211,180	\$21,944	10.39%	5.87%	4.52%
Customer H	Roth IRA	\$40,692	\$1,650	4.06%	1.11%	2.95%

Even with a positive return, these customers needed up to an additional 9.70% return in order to break even. Only four customers (approximately 12% of the sample) still had a net outcome that was positive when the percentage of their commissions were subtracted from their cumulative account performance.

*Comparison to Fee-Based Accounts*

22. The commissions that Vickers received were unreasonable compared to what customers would have been charged if their accounts had a fee-based compensation schedule. As previously mentioned, accounts that include investment advisory services typically have fee-based compensation. In addition, fee-based accounts are generally more beneficial for customers who have at least a moderate amount of trading in their account, and protect customers from excessive trading commissions. Vickers received an unreasonable commission as he should have utilized a fee-based, rather than a commission-based, compensation schedule for his customer accounts.

23. Two common types of fee-based accounts are fee-based brokerage accounts and investment advisory accounts, which both charge a percentage of assets under management. As discussed below, both fee-based brokerage accounts and investment advisory accounts offer similar

1 services to those that Vickers provided, but have significantly lower fees than the commissions charged  
2 by Vickers.

3 24. A fee-based brokerage account, also known as a “wrap account,” is an account that offers  
4 a bundle of services, typically brokerage services with an investment advice component. A wrap  
5 account has a comprehensive fee for all services, generally a percentage of assets under management that  
6 is charged quarterly. From 2009 through 2012, the standard wrap account fee charged by Southeast  
7 Investments representatives was as high as 3% per annum of the customer’s assets under management.  
8 The fees charged by a wrap account are well suited for customers who will have a high frequency of  
9 trading in their account.

10 25. An investment advisory account is an account that is actively managed and monitored by  
11 a registered investment adviser. Investment advisory accounts have a comprehensive fee for investment  
12 advisory services and for placing trade orders. The fee is typically a percentage of assets under  
13 management, and generally, the more assets under management, the lower the fee charged to the  
14 customer. From 2009 through 2012, the investment advisory fee charged by Southeast Investments  
15 representatives was as high as 3% per annum of the customer’s assets under management. The fees  
16 charged by investment advisory accounts are also well suited for customers who will have a high  
17 frequency of trading in their account.

18 26. Unlike wrap accounts and investment advisory accounts, Vickers’ compensation schedule  
19 was not well suited for customers with a high frequency of trading in their accounts. Fee-based accounts  
20 would have saved Vickers’ customers a considerable amount of money. Both wrap accounts and  
21 investment advisory accounts, managed by Southeast Investments representatives, had annual fees as

high as 3% of the customer's assets under management. In comparison, in 2010 Vickers' customer accounts were charged an average of 10.98% of their average account value in commissions, and one account was charged as much as 18.35% per annum of its average account value.

27. If Vickers had placed his customers in fee-based accounts, they would have avoided hundreds and in some cases, thousands of dollars, in commissions. For example, the table below outlines what Customers A, B, and C would have paid in 2010 if they had been put into fee-based accounts that charged 3% of their average account balance for the year. Most notably, as shown in the following table, Customer A would have saved a total of nearly \$34,000 in just one year:

Customer	Account	Average Account Balance (approx.)	3% Fee-Based Compensation (approx.)	Actual Commissions Paid (approx.)	Difference (approx.)
Customer A	IRA	\$79,685	\$2,391	\$8,139	\$5,748
Customer A	SEP IRA	\$206,834	\$6,205	\$22,729	\$16,524
Customer A	Individual Brokerage	\$135,607	\$4,068	\$15,773	\$11,705
Customer B	Roth IRA	\$13,782	\$413	\$2,305	\$1,892
Customer C	SEP IRA	\$88,233	\$2,647	\$7,444	\$4,797

### Supervision of Vickers

28. During the relevant time period, Vickers was a registered representative at Southeast Investments and was supervised by Black, who is based in Charlotte, North Carolina. Black is also the Chief Compliance Officer of Southeast Investments. Between at least 2008 and 2012, Vickers committed multiple violations of the Securities Act of Washington while employed at Southeast Investments and under the supervision of Black. Black failed to reasonably supervise Vickers by approving his commission-based compensation schedule. Southeast Investments failed to have adequate

1 written policies and procedures in place regarding the review of discretionary accounts and as a result  
2 Black failed to adequately review Vickers' customer accounts for excessive trading.

3 *Approval of Vickers' Commission Schedule*

4 29. Contrary to typical broker-dealer practices, Southeast Investments allowed their registered  
5 representatives to negotiate their compensation structure. When Vickers joined Southeast Investments,  
6 Black approved his proposal to use a commission-based compensation structure for his discretionary  
7 accounts. Southeast Investments benefitted from Vickers' use of this compensation schedule to generate  
8 large commissions. Beginning in April 2009, Southeast Investments received 10% of the total  
9 commissions paid by the customers of Vickers.

10 30. When reviewing Vickers' proposed commission schedule, Black approved it because the  
11 commission percentage was below 5%. When approving Vickers' commission-based compensation  
12 schedule, Black failed to take into consideration the anticipated level of trading activity in Vickers'  
13 customer accounts and the large commissions that would be generated from such trading practices.  
14 Black also failed to consider the overall needs and objectives of the customers and the benefits of other  
15 available compensation structures. By approving Vickers' compensation schedule, Black allowed  
16 Vickers to receive unreasonable trading commissions.

17 *Failure to Establish Adequate Supervisory System for the Review of Discretionary Accounts*

18 31. Southeast Investments failed to establish adequate systems to detect and prevent  
19 excessive trading. Southeast Investments did not have sufficient written supervisory procedures in place  
20 to govern the review of discretionary accounts, such as a written policy specifying that accounts with  
21 high turnover ratios should be given immediate attention and further review. As a result of Southeast



1 Investment's failure to establish adequate supervisory procedures, Black failed to adequately review  
2 Vickers' accounts for excessive trading.

3 32. Black approved all of Vickers' accounts as discretionary accounts, and he was  
4 responsible for reviewing the accounts. Black personally reviewed all trades made by Vickers (typically  
5 multiple trades each month for customers), and he also reviewed Vickers' discretionary accounts on a  
6 monthly basis. When reviewing the accounts, Black did not utilize any exception reports and he did not  
7 follow up on the red flags associated with Vickers' frequent trades. When reviewing Vickers' accounts,  
8 Black never found any instances of excessive trading in the accounts, in spite of the fact that the turnover  
9 ratio in some accounts was more than 6. Moreover, Black never contacted any of Vickers' customers  
10 that had accounts with high turnover ratios to determine whether the voluminous trading activity was  
11 acceptable to the customer and conformed to their objectives.

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

13 **CONCLUSIONS OF LAW**

14 1. Respondent Damon Vickers violated RCW 21.20.035, by knowingly effecting  
15 transactions in discretionary accounts of customers that were excessive in size in view of the financial  
16 resources and character of the accounts. Such conduct is also a dishonest or unethical practice as defined  
17 by WAC 460-22B-090(6), and is grounds for the denial of future securities registration applications  
18 pursuant to RCW 21.20.110(1)(g).

19 2. Respondent Damon Vickers, as described above, received an unreasonable commission  
20 or profit from trading customer accounts. Such conduct is a dishonest or unethical practice as defined by  
21 WAC 460-22B-090(11), and is grounds for the denial of future securities registration applications

1 pursuant to RCW 21.20.110(1)(g). Such conduct is also grounds to impose a fine pursuant to RCW  
2 21.20.110(1) and to recover investigative costs pursuant to RCW 21.20.390.

3 3. Respondent Damon Vickers violated RCW 21.20.020 by engaging in an act, practice, or  
4 course of business which operated as a fraud or deceit upon his customers, and by engaging in dishonest  
5 or unethical practices.

6 4. Respondent Frank H. Black failed to reasonably supervise Damon Vickers by approving  
7 Vickers' commission-based compensation schedule. Vickers was a securities salesperson subject to  
8 Black's supervision who committed violations of the Securities Act of Washington. Such conduct is  
9 grounds for the suspension of securities registrations and to impose a fine pursuant to RCW  
10 21.20.110(1)(j).

11 5. Respondent Southeast Investments failed to establish, maintain, and enforce an adequate  
12 supervisory system for discretionary accounts, including failing to develop adequate policies and  
13 procedures for the review of discretionary accounts. Such conduct is a violation of RCW  
14 21.20.110(1)(g) and WAC 460-21B-060(24) for failing to comply with an applicable provision of the  
15 NASD Conduct Rules, namely NASD Rule 3010 and FINRA Rule 2010. Such conduct is grounds to  
16 suspend broker-dealer registration. Such conduct is also grounds to impose a fine pursuant to RCW  
17 21.2.110(1) and RCW 21.20.395 and to recover investigative costs pursuant to RCW 21.20.390.

18 **NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST**

19 Pursuant to RCW 21.20.390(1), and based upon the above Tentative Findings of Fact and  
20 Conclusions of Law, the Securities Administrator intends to order that the Respondent Damon Vickers  
21 shall cease and desist from violations of RCW 21.20.020 and RCW 21.20.035.



1 **AUTHORITY AND PROCEDURE**

2 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.390 and RCW  
3 21.20.395, and is subject to the provisions of RCW 34.05. The Respondents may each make a written  
4 request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND  
5 OPPORTUNITY FOR HEARING accompanying this Statement of Charges.

6 If a Respondent does not request a hearing, the Securities Administrator intends to adopt the  
7 above Tentative Findings of Fact and Conclusions of Law as final, enter a permanent order to cease and  
8 desist, deny future securities registration applications and/or suspend current securities registrations, and  
9 impose the fines and costs sought.

10 DATED AND ENTERED this 19th day of August, 2015.

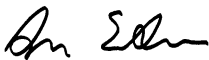
11 By:

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14 William M. Beatty  
15 Securities Administrator

16 Approved by:

17 Presented by:

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21 Suzanne Sarason  
22 Chief of Enforcement

23 \_\_\_\_\_  
24 Bridgett Fisher  
25 Financial Legal Examiner

1 Reviewed by:

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4 Robert Kondrat  
5 Financial Legal Examiner Supervisor

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