

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
THE FIRST NATIONAL CENTER
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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

**RESPONDENTS' CONSOLIDATED RESPONSE TO
DEPARTMENT'S MOTION FOR SUMMARY DISPOSITION AND RE-
NEWED MOTION FOR JUDGMENT ON SUPPLEMENTAL RECOMMENDATION**

Respondents Southeast Investments, N.C. Inc. and Frank H. Black (collectively, "Respondents" and, individually, "Southeast" and "Black") set forth herein their consolidated responses to the Department's Motion for Summary Disposition filed July 23, 2014 ("Department Motion"). For the reasons set forth herein, the Department Motion should be denied and a final order on the merits should be rendered for Respondents pursuant to Rule 660:2-9-8.

This response supersedes "Respondents' Motion to Dismiss Supplemental Enforcement Division Recommendation and Alternative Response to the Same," filed July 15, 2014 and its "Response to Department's Motion for Summary Judgment, etc.," filed August 4, 2014. All of the material and argument set forth in those filings are set forth herein, in order to allow the Administrator and the Department to consult this single filing (including the attached Appendix of Evidentiary Materials ["Appendix"]). In particular, in the "Response to Department's Statement of Numbered Facts" below, Respondents have reproduced each of the Department's

numbered fact statements verbatim, followed by these Respondents' responses to the same. Respondents, however, would refer the Administrator to the Respondents' earlier filings of December 2, 2013 (Motion for Summary Disposition), March 7, 2014 (reply brief) and June 19, 2014 (opposition to Department's Motion for Leave to Supplement Recommendation) for additional pertinent argument and factual matters.

FACTUAL BACKGROUND AND PROCEDURAL HISTORY

This matter was commenced by the Oklahoma Department of Securities (hereinafter "ODS") on March 29, 2012 styled as follows: In the Matter of: Rodney Larry Watkins, Jr. (CRD #3091936). The original file number of ODS 12-058 has been carried forward to date.

Watkins' employment with Ameriprise Financial Services

Watkins was registered as a broker-dealer agent and an investment adviser representative of Ameriprise Financial Services, Inc. ("AFS") from March 2009 to October 2011. Before his employment with AFS, Watkins had worked as broker-dealer agent for Merrill Lynch and had never been the subject of any disciplinary action. In August 2011, AFS conducted a series of investigatory interviews of Watkins at which time he admitted to exercising time discretion in multiple client accounts without having written discretionary trading authority. (Under then-existing AFS rules, Watkins was able to take orders on Monday through Wednesday and place them on Thursday). Further investigation by AFS revealed inconsistent client signatures, which caused AFS to conclude that Watkins had used "recycled" signatures. Thereafter, AFS suspended Watkins and he resigned from AFS, notwithstanding the fact that he was operating under an Office of Supervisory Jurisdiction at the time and had been for the previous two years. So far as Respondents can determine, no FINRA, ODS or other sanctions were ever imposed on AFS.

The original Department suspension recommendation

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

Watkins responded to the Enforcement Division's allegations and recommendations. Appendix, Ex. A. In mitigation to the Enforcement Division's Recommendation, Watkins asserted that the Recommendation of an *absolute* bar was not in the public interest, considering (a) that no customer/client funds or securities were misappropriated by him; (b) there were no customer complaints; (c) that his cooperation and forthrightness in the AFS investigatory process was duly noted by AFS personnel; and (d) that an *absolute* bar would be unduly harsh and punitive.

The agreed, retroactive suspension

By Agreement entered into by the ODS and Watkins on August 29, 2012, he represented that he had not offered or sold a security or transacted business in and/or from the State of

Oklahoma “as a broker-dealer, broker-dealer agent, issuer agent, investment adviser, and/or investment adviser representative, as such terms are defined in Section 1-102 of the Act, since November 25, 2011.” He was ordered to pay a monetary penalty of \$2,500.00 to be paid prior to “his registration under the Act as a broker-dealer, broker-dealer agent, issuer agent, investment adviser and/or investment adviser representative.” Watkins’ registration was further conditioned upon his agreement to operate under an approved heightened supervision plan which included on-site supervision. Appendix, Ex. B.

Watkins’ association with Southeast and non-Oklahoma activities

Watkins joined Southeast on February 24, 2012. His association with Southeast as its agent received FINRA approval on February 14, 2012, California Securities Commission approval on February 27, 2012, Kansas Securities Commission approval on February 28, 2012, and Texas Securities Commission approval on March 8, 2012. Watkins has never been suspended or disciplined by any state regulators other than the ODS.

As set forth in more detail in Respondents’ Motion for Summary Disposition filed December 2, 2013, Watkins worked out of his sister’s home in Texas -- a state where he was duly licensed at all relevant times -- between May 11, 2012 and September 9, 2012. During that five-month period, Watkins placed a total of nineteen buy or sell orders for seven clients who resided in Texas or Kansas. Watkins conducted *no* securities business anywhere from September 9, 2012 until April 30, 2104, when he was reinstated in Oklahoma. *See* deposition testimony of Rodney Watkins at Vol. 1, pages 90-117 (customer Alprin); Vol. 2, pp. 22-28 (customer Lewis); 33-40 (customer Payne); 41-46, 49-50 (customer Walker); 52, line 11 to 53, line 23 (customer Williams); 58-60 (customer Ronica Watkins) and 65-67 (Watkins’ affidavit and non-Oklahoma customers generally), Appendix, Ex. C; Southeast Customer Affidavits, Appendix, Ex. D.

The Supplemental Recommendation

Acting on a mistaken assumption, the Enforcement Division filed a Supplemental Recommendation on March 26, 2013, which named Southeast and Black as additional Respondents. That assumption was this: because Watkins resided in Tulsa and maintained a general financial services office there, securities transactions consummated during Mr. Watkins' Oklahoma suspension necessarily occurred in Oklahoma. Confronted with overwhelming evidence that the assumption was in fact mistaken – the testimony of Mr. Watkins himself, of his wife and office-mate Sharmien Watkins, of his Southeast Securities colleague Lamar Guillory and, especially, the affidavits of the customers themselves¹ -- the Department settled its claims with Mr. Watkins. The settlement requires, most significantly, that Watkins facilitate periodic reviews of his practice by a third-party consultant. No additional suspension or fine was imposed.²

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

The Department's response to the Respondents' motion for summary disposition of the Original Recommendation was dominated by argument about the existence of a "nexus," when no transactions actually occurred in the state. That argument is a testament to just how clear it

¹ The Department would have borne the burden of proof at hearing, a burden that it could not meet. See *Thompson v. State ex rel. Bd. of Trustees of Okla. Pub. Empl. Ret. Sys.*, 264 P.3d 1251, 1255-56 (Okla. 2011). See also cases collected in 73A C.J.S. PUBLIC ADMIN. LAW AND PROC. § 240 (West update 2013)(the "burden is on the one making the charges in disciplinary proceedings or where the issue is whether the party charged has committed an illegal or improper act, and this rule applies where the charge is made by the administrative body").

² As is so often the real-world case, Watkins had little choice at the end of the day but to capitulate to the Department's demands. Absent such capitulation, he faced the potential of many more months, or years, of *practical* suspension while the internal and external appeals processes played out. Unlike litigants in private civil actions, a party to a proceeding like this one cannot post a supersedeas bond to stay enforcement of an agency action. Such is the power of government licensing regulators.

was that the proceeding commenced on March 26, 2013 rested on the slenderest of reeds. Here is a sample:

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

Department Response filed February 28, 2014 at 15-16.

Respondents respectfully suggest that, when a regulatory agency sets out in search of "some sort of nexus" so it can pull a broker's license and confiscate his livelihood, the agency ought to take a moment and re-examine its priorities.³ Yet the allegations against *Southeast* in the original Recommendation were even more attenuated: it stood accused of failing to prevent the slender-reed, putative violations by Watkins.

Almost fourteen months after commencement of this proceeding against Black and Southeast, the Department got around to taking Southeast's deposition through its principal, Respondent Black. Some three weeks after the Black deposition (on June 10, 2014), the Department announced that it had discovered startling new evidence of independent violations by Southeast. As discussed herein, the actions that the Department "discovered" at the eleventh

³ And in Watkins' case, of course, there were no "offering materials" and no "research," much less which occurred in Oklahoma. Watkins sold listed securities to existing clients, so even the attenuated "nexus" of the *Nuveen* case did not exist. The truth is that the Department never had a valid suspension case against Watkins. Not only did the statutes (and the United States Constitution) undermine the Department's actions, so too did the original suspension order itself. That order explicitly limited its geographic reach to Oklahoma.

hour are neither startling, nor momentous, nor (most importantly) unlawful. Nevertheless on the strength of the supposed new discoveries, the Department filed what amounts to an entirely new proceeding against Southeast and Black on June 20, 2014, by way of the Supplemental Enforcement Division Recommendation (“Supplemental Recommendation”) of that date. With the full cooperation of the Administrator, the evidentiary hearing scheduled for June 23, 2014 was stricken and, over the Respondents’ objection, the Supplemental Recommendation was allowed.

The events described above represent a continuation of the bootstrap character of these proceedings that has permeated the same from the outset: if the original allegations turn out to be contradicted by the facts, just argue “some sort of nexus;” if the Department’s vicarious liability theory against the broker-dealer falls with the failure of the underlying misconduct allegation (as necessarily it must), just “discover” some entirely *new* violations to keep the broker-dealer in the dock. This bob-and-weave approach to the wielding of government power, Respondents respectfully suggest, ought not to be countenanced.⁴

OVERVIEW OF THE DEPARTMENT’S MOTION FOR SUMMARY DISPOSITION

A review of the Department Motion in its entirety prompts the following observations:

- All of the alleged Southeast violations are purely procedural. Not a single *substantive* violation of any kind -- like those set forth in the Commission’s rules at Rule 660:11-5-42(b)(2) through (b)(21) -- is alleged.
- Every alleged statutory and every alleged regulatory violation are alleged violations of statutes or regulations that simply incorporate FINRA/NASD rules, rather than statutes or

⁴ Perhaps most unconscionable is the indirect effect of the Department’s actions on Mr. Watkins. The suspension of Southeast, as the Department well knows, will result in Watkins’ loss of a substantial component of his livelihood. Hence the Department seeks to achieve the result, through the back door, that it could not achieve on its claims against Mr. Watkins directly.

regulations that expressly proscribe even “procedural” conduct (to say nothing of *substantive* conduct).

- The FINRA/NASD rules to which the statutes and regulations punt are themselves purely procedural. A careful review, one-by-one, of those rules shows that Southeast has in fact complied with the same. As will be seen in the discussion below, many of the rules contain express materiality conditions that appear designed to discourage the very sort of draconian, “gotcha” application that permeates the Department Motion. Indeed both the FINRA (NASD) rule on supervision and the rule on written procedures require procedures that are simply “reasonably designed to achieve compliance.”
- The gravamen of the Department Motion is not that Southeast has failed to comply with any statute, any regulation, or even any FINRA/NASD rule. The motion dominated instead by allegations that Southeast has failed to adhere to the letter of *its own* Written Supervisory Procedures (“WSPs”). Indeed, of the paragraphs in the Department “Statement of Facts” that appear to level some kind of allegation of some kind of wrongdoing (paragraphs 8 through 21), seven invoke alleged WSP violations only (paragraphs 9, 11, 13, 14, 18, 19 and 20).⁵ Of the alleged FINRA/NASD rule violations, two relate to Southeast’s delay in updating Rodney L. Watkins’ address information on the CRD record (paragraphs 16 and 17) and one relates to Southeast’s delay in reporting

⁵ Moreover, even the putative factual allegations that do *not* invoke WSPs, in many cases, do not manage to allege any proscribed conduct. *See, e.g.*, ¶ 8 of the Department’s Statement of Facts, which alleges that Southeast does not maintain multiple OSJs. No law, regulation or FINRA rule requires Southeast to maintain more than one OSJ, due to the number of agents who work in its nonbranch offices. Typical of the Department’s Motion, the Department has simply manufactured a “violation” by substituting its judgment -- about what Southeast “should do” -- not only for Southeast’s business judgment, but for FINRA’s judgment. (FINRA, the promulgator of the rule, has not criticized Southeast’s nonbranch office system).

this proceeding to the CRD. Again the Department Motion is utterly devoid of any allegation of any substantive rule violation.

RESPONSES TO DEPARTMENT'S NUMBERED STATEMENT OF FACTS

Each of the departments numbered factual allegations are reproduced below verbatim, followed by respondents' responses to the same.

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.

Response: Admitted

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 has not been registered under the Act in any capacity.

Response: Admitted

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.

Response: Admitted. *But see* Background Facts set forth at pp. 2-5 for necessary context.

4. In April of 2012, Guillory became affiliated with Southeast as an agent under the Act. Guillory offered and sold securities in and/or from Tulsa, Oklahoma.

Response: Admitted.

5. Southeast's main office, located in Charlotte, North Carolina, is designated as Guillory's and Watkins' office of supervisory jurisdiction.

Response: Admitted.

6. Black is responsible for directly supervising all of Southeast's approximately one hundred and forty-five (145) agents as well as its associated persons.

Response: Admitted.

7. The Southeast agents are geographically dispersed throughout the United States mostly in one or two-agent offices. Many of the agents are independent contractors who conduct outside business activities.

Response: Admitted.

8. 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 to supervise all agents.

Response: Admitted as stated. Black does supervise all agents, i.e., Southeast's supervisory strictures *exceed* those of most broker-dealers, especially those of large, institutional broker-dealers, the senior management of which does *not* take direct responsibility for every action by every agent in the firm. But in addition, Black has testified that he is aided in compliance matters by David Plexico, Jonathan Black and Jeanette Roberts, all employees of Southeast. Black depo testimony, pp. 13-14, 18-22, 23-24, 26-28, Appendix, Ex. E. More to the larger point, in seventeen years as a registered broker-dealer, Southeast has had no valid customer complaints and no fines or sanctions imposed by securities regulators, including FINRA and the SEC.

9. Southeast does not provide compliance training to its agents but merely distributes the WSPs and any regulatory updates via email. In connection with his duty to ensure compliance, Black relies primarily upon representations made by the agents and statements made in their purported annual compliance

interviews. Although written records of such interviews are required by the WSPs, Southeast and Black have not provided written records of any compliance interviews with Watkins and Guillory in response to two separate discovery requests.

Response: Denied. Both FINRA and Southeast provide compliance training to Southeast representatives. Certainly Southeast distributes many compliance materials throughout the year. That is scarcely a basis for *criticism* of Southeast. But Southeast also requires bi-annual representative declarations. *See, e.g.,* Appendix, Exs. H (Guillory bi-annual declaration) and Ex. I (Watkins bi-annual declaration). Southeast also conducts an annual compliance meeting as required by FINRA rules. *See* Black Depo testimony at 75-76, Appendix, Ex. E. Again, FINRA and the SEC audit Southeast *every two years* and yet neither has ever sanctioned Southeast for any training deficiencies. Black Affidavit, Appendix, Ex. F.

10. Black supervises all agents in the same manner regardless of a particular agent's disciplinary history or any other reason that might justify heightened supervision.

Response: Denied. Dan Sexton, Frank Black (due to a FINRA rule requiring heightened supervision if an agent is responsible for over twenty per cent of broker/dealer production) and other agents, from time to time, in fact have been on heightened supervision. Black Depo, p. 19, line 9 to p. 23, line 13, Appendix, Ex. E This testimony makes plain that Black treats *all* Southeast brokers as if they were on heightened supervision, i.e., he reviews all brokers' activities on a daily basis because all transaction must flow through Southeast's main office. Again this means that Southeast's practices are *more exacting* than FINRA requires. *See* Black Supplemental Affidavit, Appendix, Ex. F-1.

11. The WSPs provide that electronic communications shall be reviewed and approved by Black and retained by Southeast.

Response: Admitted.

12. Southeast has no procedure in place to enable Southeast or Black to see and approve agents' securities related emails, but merely relies on the agents' good faith efforts to forward their emails to Southeast.

Response: Admitted in part and denied in part. Allegation No. 12, taken as a whole, is misleading. Of course Southeast management has no way to insure that it sees literally *every* email that *every* broker *ever* sends or receives. Neither does Merrill Lynch, LPL Financial, Wells Fargo Securities or any other broker-dealer. As discussed elsewhere herein, FINRA compliance rules do not mandate such impracticabilities. Instead, the broker-dealer is required to have in place rules and procedures reasonably designed to prevent violations of securities rules and regulations. The rules that the Department invokes are the FINRA rules, yet FINRA has never sanctioned Southeast for any email supervision violation. Black requires that all brokers send all emails *regarding securities* to Southeast. He saves those emails electronically after first printing and reviews each one, rather than merely sampling. *See* Black Supplemental Affidavit at ¶ 2, Appendix, Ex. F-1. Again, a fair reading of the actual FINRA rules, as discussed hereinbelow, suggests that Southeast's practices are more stringent than required.

13. Contrary to the WSPs, Guillory stated that he does not provide his emails to Southeast.

Response: Denied as stated. The Department, misleadingly, continues to advance this allegation. Southeast has already offered Guillory's "E-mail and Electronic Communications Acknowledgment Form" (it was attached to Respondents' pleading filed July, 15, 2014 as Exhibit "C" and is included in the Appendix here, along with Watkin's e-mail acknowledgement form, at Ex. G) in which Guillory states that he does not transact securities business via e-mail. Moreover, the Department omits reference to

Guillory's (completely consistent) deposition testimony that he "very, very rarely" communicates with clients by e-mail on *any subject*.⁶

14. The WSPs provide that Southeast and Black must report to CRD any disclosable event, including administrative actions, within ten (10) days of the event.

Response: Admitted as stated. *But see* Response to paragraph 17 below.

15. Southeast and Black did not timely report the proceeding on the 2013 Recommendation on CRD with regards to Watkins.

Response: Admitted as stated. *But see* Response to paragraph 17 below.

16. When Southeast and Black finally reported the 2013 Recommendation, more than a year after the 2013 Recommendation was filed, the information was not reported accurately.

Response: Admitted. *But see* Response to paragraph 17 below.

17. 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 for almost five (5) months.

Response: Admitted as stated. The fact stated here, along with those set forth in Allegations Nos. 14, 15, and 16 do not involve any material omissions. No substantive violation was involved and no customer is even alleged to have relied on these omissions in any way. Moreover, for the entire period of September 9, 2012 until April 30, 2014, Watkins refrained completely from any securities activity. This means that, during the *entire* "failure to report" period respecting Watkins' addresses, Watkins was conducting *no securities business*

⁶ As noted in the July 15, 2014 filing (which attached the Guillory testimony), the Department's counsel did not ask Guillory about his client communications related to his securities business; she asked him, more broadly: "Do you communicate with your clients through e-mail?" As seen in the discussion below, the FINRA/NASD rules relating to e-mail supervision are expressly limited to e-mails that concern securities business.

whatsoever. (Watkins had considered moving to Texas so he could make a living but never actually changed his residential address)

18. The WSPs provide that the agent shall complete order tickets and submit them to Black for approval.

Response: Admitted as stated. What is “admitted” here is that Southeast exercises *more* control and *closer* scrutiny of orders than its WSPs or FINRA require! See discussion at pp. 21-23 *infra*.

19. 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 Southeast's Charlotte, North Carolina office.

Response: See Response to Allegation No. 18 above.

20. The WSPs provide that Black review all order tickets daily to determine, *inter alia*, suitability of each trade for each customer.

Response: Admitted. Black does in fact review *every single order* and has knowledge of *every single customer's* suitability profile.

21. Black approves the securities transactions by initialing the daily trade blotter but does not review all of the transactions for suitability purposes.

Response: Denied as stated because the allegation is out of context and misleading. In his deposition, Black was asked: “so for each order to you go to Streetscape to check suitability?” He answered this way: “No, you know better than that.” He also testified that such a “review” is not necessary when *he already knows* the suitability information. See discussion at pp. 19-23 *infra* and Black Depo testimony at p. 37, lines 3-18, Appendix, Ex. E (“I’d say suitability occurs every day. It’s called I review the orders, I know who the clients are in general, I go on Streetscape and see what the suitability is”).

RESPONSE TO THE DEPARTMENT'S LEGAL ARGUMENT

The Department's argument consists of a series of potshots taken at various, allegedly defective, Southeast procedural practices – everything from delayed updating of a CRD address to broad allegations of “failure to supervise.” The Department endeavors to tie all of these defects to a statutory, regulatory, or FINRA procedural requirement. Failing such a showing (and fail the Department does), the Department falls back on allegations that Southeast violated its own WSPs, which, in turn (the Department says), are required to be maintained by the FINRA/NASD rules, which rules are, in turn, incorporated into the regulations and statutes. The Department's analytical gymnastics give new meaning to the word “attenuated.” Be that as it may, Respondents respond here by examining the actual statutes and rules that the Department invokes, one at a time, in the order of their legal importance (first statutes, i.e., actual *legislative enactments*, then regulations, then FINRA/NASD rules).

Oklahoma Statutes

Aside from sweeping references to the entire Oklahoma Securities Act (“the Act”), the Department Motion cites a single statute, § 1-406(B) of the Act. According to the Department, that statute provides that “if any information filed in a registrant's application becomes inaccurate, he shall promptly file a correcting amendment.” Department Motion at p. 15. Here is what the cited statute *actually* provides:

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

(emphasis added). It is easy to understand why the Department chose to omit the italicized language. It undercuts the Department's draconian, hypertechnical bases for disciplinary action.

Like the similar FINRA rule,⁷ the statute on its face incorporates a materiality condition. Perhaps one reason the Legislature included that condition was to prevent the rule's use as a cudgel by overzealous regulators. Southeast's grievous violations of the quoted statute, according to the Department, were these: (i) it failed to update Watkins' CRD office address and (ii) it failed to report the instant proceedings to the CRD "promptly." Both eventually were reported.⁸ In the meantime, no customer or anyone else was deprived of any information that would, by any realistic assessment, influence any customer.⁹ Again, there has never been any allegation in any phase of these proceedings that any customer has ever been misled, harmed or even made unhappy.

⁷ The Department quotes FINRA Rule 1122 as follow: "No member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate *so as to be misleading*, or which could in any way tend to mislead, or fail to correct such filing after notice thereof" (emphasis added).

⁸ The Department's complaint about the late change of Watkins' address is especially trivial and technical. As the record in this proceeding reveals, Watkins did not conduct any securities business at all between September 19, 2012 and his reinstatement in the spring of 2014. See Original Recommendation at p. 4, ¶ 24 and Department Motion, Ex. B (3d page)(showing address change at 6/20/13). Plainly the address information could not have affected any customer during the year and a half that he was not engaged in the transaction of securities business.

⁹ The Department even suggests that the delayed change-of-address filing might have prevented the Department itself from being able to "locate the agent." Department Motion at p. 17. Throughout this proceeding the Department has contradictorily maintained that Watkins was all too easy to locate at an office in Tulsa shown on one of his e-mail addresses. And, of course, the change of address was to a Dallas office, where the Department has no jurisdiction. Regarding the reporting of these proceedings, the circularity theme continues. First the Department files a proceeding that it has no jurisdiction to prosecute and which involves no substantive violation or customer harm. Then the customer is somehow harmed because this unwarranted proceeding is not reported immediately to potential customers who ought to have this information in the "total mix" and be able to avoid a broker who has done nothing wrong.

Oklahoma Regulations

1. *Rule 660:11-5-42(b)(1)*

The Department notes that Rule 660:11-5-42(b)(1) “specifically” provides that “a broker-dealer registered under the Act shall not violate any rule of a national securities association of which it is a member.” The cited regulation provides in its entirety:

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.

Southeast, of course, does not stand accused of violating any federal securities laws or even any substantive Oklahoma statutory law. Those would be serious matters. Even more ironically, Southeast does not even stand accused of violating the many substantive provisions of Rule 660:11-5-42 itself. These substantive provisions deal with things like charging customers fairly, use of customer funds, customer credit, bribing issuers, sharing in customer profits and losses, etc. Instead, Southeast stands accused of violating the “incorporated” FINRA supervision and reporting rules discussed below.

2. *Rule 660:11-5-42(b)(22)*

The Department cites but one other (again purely procedural) Oklahoma regulation, which, the Department states, “specifically requires a broker-dealer to establish, maintain, and enforce written procedures to supervise the activities of each of its registered agents and associated persons.” Rule 660:11-5-42(b)(22). Of course, Southeast has adopted written procedures. To the extent that the stringency of those procedures exceed legal requirements

(including even “incorporated” requirements of FINRA/NASD rules), “violations” of the WSPs have no legal effect. The reality, however, is that Southeast has complied with its WSPs in every *material* respect and with the statutes and regulations in all respects. *See* 7-15-14 Response and attached exhibits.

FINRA/NASD RULES

Overwhelmingly, the procedural requirements upon which the Department’s recommendation for suspension rest are contained in FINRA/NASD requirements incorporated by reference in the statutes and regulations. One might think that FINRA itself would be best suited to understand the underlying intent of, and to see to the enforcement of, its own rules. Of course FINRA (and before it, the NASD) does exactly that. Southeast is regularly examined by FINRA and the Securities & Exchange Commission, each of which sends examiners to the Southeast home office. Southeast is on a two-year inspection cycle with FINRA and has been it since it commenced business on July 1, 1997. Hence Southeast has been subjected to nine FINRA inspections including a 2014 inspection. During the same time period, the SEC has inspected Southeast four times. None of those inspections has ever resulted in any sanction of Southeast of any kind. *See* Black Affidavit (Exhibit “F-1” hereto).

It is not entirely clear why the Department concludes that it has a better understanding of the purposes and proper application of FINRA’s rules than FINRA itself. Be that as it may, the (again purely procedural) FINRA/NASD rules that the Department says Southeast violated are surveyed and discussed below.

1. *NASD Rule 3010(d)(2) (e-mail review)*

According to the Department, NASD Rule 3010(d) requires that a broker-dealer establish procedures for "review by a registered principal of incoming and outgoing written and electronic

correspondence of its registered representatives with the public" relating to its securities business." Department Motion at p. 13. Here is the text of Rule 3010(d)(2), the subsection of the rule relating to e-mail and from which the Department quotes:

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

(emphasis added). See also NASD Rule 3010(d)(1). What the quoted rule, contrary to the Department's suggestion, self-evidently *does not do* is require any *particular* procedure for e-mail review. Indeed the quoted rule is noteworthy for its flexibility. Plainly it does not require, as the Department again misleadingly suggests, a system that allows supervisors to access all broker e-mail traffic without the agent's knowledge. The rule on its face makes clear, moreover, that it *does not* require review of *all* correspondence "prior to use or distribution" because it gives instructions to members who choose *not to* impose such a requirement. Southeast's practices do not violate Rule 3010(d) and FINRA itself has never so found. The practices violate nothing except the Department's unilateral opinion about how a FINRA rule ought to be implemented and observed.

2. *NASD Rule 3010(a)(3) (agent supervision)*

The Department says that “NASD Rule 3010 specifies the minimum requirements of an acceptable supervisory system” In this second of the Department’s series of potshots, the Department in effect lays out what it would require of Southeast if it were FINRA, as opposed to what FINRA actually requires. The actual FINRA rule is not cookie cutter; it has the flexibility to take into account the particular scope and peculiarities of a particular broker-dealer’s operations. The Department’s central criticism here appears to be this: Southeast cannot possibly keep up with its far-flung network of agents without additional OSJs and additional day-to-day supervisors. It ignores the facts on the ground: by far the majority of Southeast’s brokers are financial advisors that sell insurance products and provide other services besides securities trading. Indeed, the majority of these brokers engage in only a handful of securities transactions annually. *See* Black Depo testimony (Appendix, Ex. E) at pp. 24-25. The transactions are in fact reviewed by Black or others in Charlotte and the supervisors are not overwhelmed or even “whelmed.” The Department proffers no evidence to the contrary and offers no explanation as to why FINRA itself is unperturbed by Southeast’s system. The Department wants the Administrator to make a *summary decision* suspending Southeast in the face of the contrary decision by the very entity that wrote the rule that Southeast has supposedly traduced.

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

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

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

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

(emphasis added).

Southeast has in fact considered these factors, particularly factor (B), in conjunction with the closely-related fact that the “registered persons” at each nonbranch office themselves engage in only a few transactions per year.¹⁰ Southeast has not violated Rule 3010(a). It has instead run afoul of the Department’s unilateral conclusion about how Southeast ought to run its business.

3. *NASD Rule 3010(d)(1) (review of transactions)*

According to the Department, NASD Rule 3010(d) “specifically requires a broker-dealer to make provisions for the review of all transactions.” The Department suggests that, in order to comply with the FINRA/NASD rule, the broker-dealer must adhere to its own

¹⁰ The Department does not even contend that the NASD rule or any other rule or regulation imposes an explicit requirement that Southeast establish additional OSJs or branch offices. The Department merely suggests, again in opposition to FINRA itself, that it, the Department, knows best and that additional OSJs ought to be established. The Department does so in the face of the absence of any customer complaint or any evidence of any violation of any substantive securities law or regulation (substantive regulations like those set delineated in Rules 660:11-5-42(b)(2) through (b)(17). Indeed Southeast has never had a valid complaint lodged against the firm based on the activities of any agent anywhere.

WSP to the letter. Again it is helpful to consult the actual language of the rule invoked. Rule 3010(d)(1) provides in pertinent part:

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

(emphasis added).

No reasonable examiner would deem the review procedure that Frank Black has described to contravene the standard quoted above and, of course, no FINRA examiner ever has as well. (At the risk of redundancy, it is FINRA's own rule). *See* 6-19-14 Objection at p. 5, ¶ 9 (describing Black's detailed review of each broker order) and Black Depo. at p. 34, line 22 to p. 39, line 13, Appendix, Ex. E). The truth is that Southeast's transaction review protocol is far more stringent than most SEC/FINRA-regulated firms. Its President reviews every single order request and the firm itself actually places the order only after review by the President, the Chief Compliance Officer and the Designated Supervisory Principal (all being the same person). Neither would such an examiner find Southeast's suitability review procedures deficient. *See id* (testimony regarding review process including suitability review). These conclusions are not speculative ones. The actual examiners -- *from the organization that promulgated the subject rule* -- have not in fact issued any sanction against Southeast ever, for this or any other supposed infraction. That the Oklahoma Department of Securities would do so based on FINRA's own rule -- and in the face of FINRA's own contrary decision -- is passing absurd.

4. *NASD Rule 3010(b) (maintaining written procedures)*

The Department notes that “NASD Rule 3010 also requires that the firm's supervisory system must be set forth in written supervisory procedures.” Department Motion at p. 11. Southeast has done that. As discussed herein, the Department's real beef here is not that Southeast has failed to comply with any statute, any regulation, or even any FINRA/NASD rule. It is that Southeast has (allegedly) failed to comply with the letter of its own WSPs. Not only has Southeast's substantial compliance with the WSPs been shown, the very promulgator of the very rule requiring “establishment and maintenance” of WSPs has reviewed Southeast's compliance every two years since it commenced business in 1997. The review has encompassed not just compliance with Southeast's own WSPs, but with the underlying rules that the WSPs are meant to implement. That agency, FINRA, has taken *no action* against Southeast and certainly has not taken the harsh actions that the Department urges here. The rule itself -- NASD Rule 3010(b) -- requires only that WSPs be “*reasonably designed to achieve* compliance with applicable securities laws and regulations, and with the applicable Rules of NASD.”

If the Department claims that a broker-dealer may be suspended *in the complete absence* of any statutory, regulatory or (via “incorporation”) FINRA/NASD rule -- on the grounds that the broker-dealer failed to adhere (to the letter) to its own WSPs -- then Respondents respectfully suggest this: the Department has failed to state a claim upon which any Commission action can be taken.

**RESPONSE TO DEPARTMENT'S
REQUEST FOR SANCTIONS AND CONCLUSION**

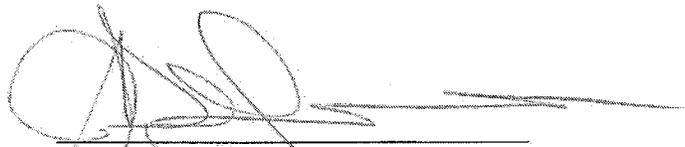
The Department's discussion of the standards for sanctions amounts to the suggestion that the Administrator has such authority and power that he can impose just about any

sanction he chooses and for just about any reason that his own Department suggests, like “failing to implement an effective and meaningful supervisory system.” Department Motion at p. 18. As shown herein, there has been no such failure, no violation of any statute, regulation or regulation, and not even a material violation of Southeast’s own WSPs, which do not have the force of law. To grant the Department Motion here would not be “within the law” or “justified in fact,” but rather “arbitrary and capricious.”¹¹

For the reasons set forth herein, no relief of any kind is appropriate here, except in favor of Respondents. The Supplemental Recommendation finds no support in the very statutes and regulations that provide the supposed foundation for the recommended sanctions. The proceeding hence should be dismissed forthwith.

Respectfully submitted,

Dated: August 29, 2014



Patrick O. Waddel, OBA #9254
J. David Jorgenson, OBA #4839
SNEED LANG PC
One West Third Street, Suite 1700
Tulsa, OK 74103
(918) 588-1313
(918) 588-1314 Facsimile

*Counsel for Rodney L. Watkins, Jr.,
Frank H. Black and Southeast Investments,
N.C. Inc.*

¹¹ Respondents would like to think that the Administrator and this Commission set a higher standard for taking coercive actions against regulated businesses and individuals than acting without arbitrariness and caprice.

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

In the Matter of:

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

Respondents.

ODS File No. 12-058

APPENDIX OF EVIDENTIARY MATERIALS
TO
RESPONDENTS' CONSOLIDATED RESPONSE TO
DEPARTMENT'S MOTION FOR SUMMARY DISPOSITION AND RE-
NEWED MOTION FOR JUDGMENT ON SUPPLEMENTAL RECOMMENDATION

| <u>Exhibit</u> | <u>Description</u> |
|----------------|---|
| A | Respondent's Response to Enforcement Division Recommendation |
| B | Heightened Supervision Plan – Southeast Investments to Rodney Watkins, dated June 6, 2012 |
| C | Testimony excerpts from the deposition of Rodney Watkins taken April 21, 2014 and May 9, 2014 |
| D | Southeast Investments Customer Affidavits |
| E | Testimony excerpts from the deposition of Frank Black, taken May 14, 2014 |
| F | Affidavit of Frank H. Black, dated August 4, 2014 |
| F-1 | Supplemental Affidavit of Frank H. Black, dated August 29, 2014 |
| G | E-Mail and Electronic Communications Acknowledgment Forms signed by Lamar Guillory and Rodney Watkins |
| H | 2013 Bi-Annual Certification of Representative's Declaration to Supervisory Office signed by Lamar Guillory |
| I | 2013 Bi-Annual Certification of Representative's Declaration to Supervisory Office signed by Rodney Watkins |

EXHIBIT A

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

In the Matter of:

Rodney Larry Watkins, Jr. (CRD #3091936)

Respondent.

ODS File No. 12-058

**RESPONDENT'S RESPONSE TO ENFORCEMENT
DIVISION RECOMMENDATION**

The Respondent in this action, Rodney Larry Watkins, Jr. (CRD #3091936), in response to the Enforcement Division Recommendation that the Administrator bar Watkins registrations under the Act and impose civil penalties against him pursuant to Section 1-411 of the Oklahoma Uniform Securities Act of 2004 ("Act") does hereby offer the following in mitigation of the recommended action:

1. Respondent was a registered representative of Merrill Lynch Pierce Fenner & Smith, Inc., for approximately 11 years.
2. Upon leaving Merrill Lynch in March 2009 he became a registered Agent/Advisor with Ameriprise Financial Services, Inc. ("AFS") until his voluntary resignation on October 24, 2011.
3. Respondent cannot and does not refute the Enforcement Division's Conclusions of Law as set forth in Section 1, A through E of the Recommendation.
4. Respondent notes that the interview of Michelle Hayes who was the Office of Supervisory Jurisdiction for AFS during Respondent's affiliation with that firm until June 2010 noted in her interview conducted September 16, 2011, by David Flower, Sr. Investigator with

AFS, that she felt that the three EAR Advisors under her jurisdiction including Watkins "lacked training" in Ameriprise policies and procedures.

5. Respondent at all times during the investigation by in-house investigators with AFS was found to be fully cooperative and forthright in his responses to their interrogation.

6. There is no evidence that any customer/client of Respondent's ever filed a complaint against Respondent or any registered broker dealer with which he has been affiliated during his brokerage career, and that there has been no disciplinary action commenced against him by any regulatory authority until the present action.

7. There has been no allegation or finding that Respondent misappropriated any customer/client funds or securities, in fact any customer/client funds which Respondent caused to be distributed were paid directly to the customer/client or to customer/client's bank account.

8. That Respondent's unreported outside activities were in the nature of "passive investments" in rental properties and there is no evidence that any of Respondent's customers/clients were investor/participants in these investments.

9. That all of Respondent's activities listed in the Enforcement Divisions' Conclusions of Law were activities in which Respondent thought he was providing convenience and uninterrupted service to his customers/clients and that the processes and procedures for which he is accused of violating were not fully explained to him.

10. Respondent's customer/client activities while at AFS lacked adequate supervision and support.

While the Administrator has the statutory and regulatory authority to impose a bar against Respondent from future registration under the Act in any capacity, such an absolute bar would not be in the public interest considering no customer/client funds or securities were

misappropriated by Respondent. Respondent's cooperation and forthrightness with the AFS investigative personnel was duly noted by the investigating personnel.

Additionally, while not condoning Respondent's breach of the Acts ethical standards, an absolute bar from registration would be unduly harsh and punitive.

Respectfully submitted,

Dated: May 15, 2012

By: 
Patrick O. Waddel, OBA #9254
SNEED LANG HERROLD PC
One West Third Street, Suite 1700
Tulsa, OK 74103
(918) 588-1313
(918) 588-1314 Facsimile
Counsel for Rodney Larry Watkins, Jr.

EXHIBIT B

Southeast Investments, N.C. Inc.

820 Tyvola Road, Suite 104
Charlotte, NC 28217
704-527-7873 or 800-828-1256
Fax 704-527-2166

Member FINRA, SIPC

June 6, 2012

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

To Whom It May Concern:

Southeast Investments has submitted through FINRA to register Mr. Watkins with my firm in the State of Oklahoma. Should Oklahoma grant Mr. Watkins registration, I and Southeast Investments agree to do the following to supervise Mr. Watkins to prevent violations of Oklahoma, Federal, FINRA, SEC or other state regulations and rules as well as those of Southeast Investments:

1-All registered representatives including Mr. Watkins are required to forward to the home office all paperwork re opening of brokerage account, application for mutual funds or variable annuities, etc for review and approval. The opening of a brokerage account can only take place by personnel in the home office. Applications for mutual funds, variable annuities are sent directly from the home office to the carriers.

2-As part of registration with Southeast Investments, all registered representations are required to sign:

a-Form titled SELLING AWAY detailing FINRA Rule and Southeast's requirement that written approval be obtained from the Southeast Investments Compliance Officer prior to selling any investment not offered through the Company.

g-Form titled FINRA RULE 3050 requiring registered representatives signature acknowledging he understands all brokerage accounts must be through Southeast Investments.

h-Form acknowledging receipt of AML and Customer Identification Program procedures with signature page attached agreeing to abide by the rules.

i-Form titled SOUTHEAST INVESTMENTS, N.C., INC. REQUEST TO ENGAGE IN OUTSIDE ACTIVITY requiring completion and signature.

3-Neither Mr. Watkins nor any Southeast Investments representatives have the ability to transmit orders from his (their) office to our clearing firm, National Financial Services division of Fidelity Investments. Mr. Watkins will be required to call all orders for securities in to the main office for review and approval prior to transmission to our clearing firm, National Financial Services division of Fidelity Investments for execution.

4-All documents containing client signatures are required to be sent to the home office for review and approval. Part of the review is to compare the signature versus other documents signed by the client.

It is firm policy that clients are sent copies of all documents containing their signature for their records, review and correction if need be. This is true of new account documents, change of address, mutual fund and variable annuity applications, etc. All new clients of Southeast Investments receive a welcome letter from me containing a copy of their new account form along with any other documents containing their signature. The welcome letter explicitly asks that they review all documents for

correctness and asks that they call me personally then or in the future if they have questions or concerns.

5-It is firm policy that all variable annuity contracts be delivered directly from the respective carriers to the policy holder to assure prompt delivery of the contract to the client.

6-Mr. Watkins will not be permitted to act in a supervisory capacity.

7-All requests for disbursement of funds must be sent to the main office for review and approval prior to transmittal to our clearing firm National Financial Services for issuance of check or wire. Neither Mr. Watkins, Southeast Investments or any of our representatives can issue checks.

8-All changes of address requests must be in writing, signed by the client and sent to Southeast main office for review and approval prior to transmittal to our clearing firm National Financial Services. National Financial sends a confirming letter to the client at both the old and new address for confirmation by the client that new address is correct.

9-Mr. Watkins will be required to review the firms Written Supervisory Procedures and discuss in detail each section with the firms Chief Compliance Officer.

10-Mr. Watkins will be placed on Heightened Supervision for a period of not less than 2 (two) years or as long as the state requires.

b-Form titled EMAIL AND ELECTRONIC COMMUNICATIONS ACKNOWLEDGEMENT FORM delineating our requirements and acknowledging they agree to abide by them.

c-Form titled STATEMENT OF ACKNOWLEDGEMENT AND AFFIRMATION OF THE FIRM'S POLICIES AND PROCEDURES CONCERNING THE ANTI-MONEY LAUNDERING REGULATIONS.

d-Form titled REPRESENTATIVES DECLARATION TO SUPERVISORY OFFICE OF SOUTHEAST. This form requires representatives to initial each item and sign at the bottom agreeing to abide by the regulatory requirements.
This form is required to be signed prior to registration.

e-Form titled BI-ANNUAL CERTIFICATION OF REPRESENTATIVE'S DECLARATION TO SUPERVISORY OFFICE. This form requires representatives to initial each item and sign at the bottom agreeing to abide by the regulatory requirements of Southeast Investments, State and Regulatory Authorities and FINRA.

This form is required to be signed by all registered representative of Southeast on a bi-annual basis. Attachment A titled ANNUAL CERTIFICATION OF OUTSIDE BUSINESS AFFILIATIONS REQUIRES certification and signature.

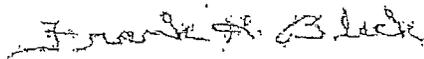
f-Page 2 of the Form titled BI-ANNUAL CERTIFICATION OF REPRESENTATIVE'S DECLARATION TO SUPERVISORY OFFICE states, "I have reviewed Section VI of the Written Supervisory Procedures for Southeast Investments regarding Employee Conduct and Activities.

Despite the fact that my wife owns the building the main office is located in, I do not sit in, nor do I have a private office. I sit in an open area 7 1/2 feet from the Operations Manager, Jeanette Roberts. Jeanette has worked for me for 34 years. My daughter Dominique sits at a desk approximately 15 feet directly in front of me. The other wire operator who can take orders from representatives in addition to Jeanette and Dominique sits approximately 12 feet to my right. I hear and see orders as they are received prior to transmission to our clearing firm, National Financial for execution.

The fax machine for receipt of faxes is located within 6 feet of my desk. I personally open the mail each day to view the contents. We do not use voice mail nor do I allow screening of my calls; anyone wanting to speak with me simply walks in the main door and sees me or calls and speaks to me.

I take my duties as Chief Compliance Officer of Southeast Investments seriously to prevent violation of regulatory body rules, protect the public as well as my thorough understanding that the very existence of the firm could be jeopardized if rules are violated. Since both I and three of my grown children, 2 nieces and numerous representatives are dependent on Southeast to conduct business, I do everything I can to ensure we follow the rules.

Sincerely,


Frank H. Black-CCO

Southeast Investments, N.C. Inc.

Member FINRA, SIPC

820 Tyvola Road, Suite 104
Charlotte, NC 28217
704-527-7873 or 800-828-1295
Fax 704-527-2166

Southeast Investments' Heightened Supervision of Rodney Watkins

1-Mr. Watkins will be supervised on a daily basis by Southeast Investments representative Lamar Guillory, who holds the FINRA Series 24 license. Mr. Guillory is located in the same office as Mr. Watkins.

2-Mr. Watkins will not be allowed to place orders through his location. All orders will be required to be sent to the Southeast Investments main office for review and approval by the CCO of Southeast Investments prior to transmittal to our clearing firm National Financial Services for execution. All mutual fund applications, variable annuity applications or any direct way applications will be required to be sent to the Southeast Investments main office for review and approval by the CCO of Southeast Investments prior to transmittal to the carriers.

3-All documents containing client signatures will be copied and sent by the CCO of Southeast Investments to the client for their records and verification of signatures.

4-Mr. Watkins will not act in any supervisory capacity.

5-All correspondence received in Mr. Watkins' office will be required to immediately be reviewed by Mr. Guillory and then forwarded to the Southeast Investments main office for review by Southeast Investments CCO.

6-Mr. Watkins will be required on a semi-annual basis to certify by signing the Registered Representative Declaration to Supervisory Office that he has followed all state and federal securities rules and regulations re securities.

7-All orders must be placed through the home office of Southeast Investments for review and approval prior to submission. After initial review by Mr. Guillory, all securities account paperwork will be forwarded to the home office. Southeast Investments' CCO will document the account paperwork as approved with a date and signature and maintain the paperwork at the Southeast Investments main office in Charlotte, NC.

8-All complaints regarding Mr. Watkins, whether verbal or written, will be immediately forwarded to the CCO of Southeast Investments or his designee. The compliance department will prepare a memorandum to the file as to what measures were taken to investigate the merits of the complaint and the resolution of the matter, and will keep documents pertaining to these complaints segregated for easy review. The CCO of Southeast Investments will make Mr. Guillory aware of any and all complaints filed against Mr. Watkins.

Frank H. Black
President, CEO & CCO

Frank H. Black
Signature

7 November 2017
Date

EXHIBIT C

Rodney Watkins
April 21, 2014

In Re: Rodney Watkins vs.
Case No. 12-058

Page 1

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

In the Matter of:)
)
RODNEY LARRY WATKINS, JR.)
(CRD #43035); and FRANK H.)
BLACK (CRD #22451);)
)
Respondents.) ODS FILE NO. 12-058

DEPOSITION OF RODNEY LARRY WATKINS, JR.
TAKEN ON BEHALF OF THE DEPARTMENT OF SECURITIES
IN OKLAHOMA CITY, OKLAHOMA
ON APRIL 21, 2014

WORD FOR WORD REPORTING, L.L.C.
111 HARRISON AVENUE
SUITE 101
OKLAHOMA CITY, OKLAHOMA 73104
(405)232-9673

REPORTED BY: GINGER MILAM, CSR

1 Texas office your only office?

2 A. No.

3 Q. Do you have two offices?

4 A. Yes.

5 Q. Thank you.

6 We have other amendments in here, but I am going to
7 skip past those. They relate to different licenses that you
8 applied for in other states, if you want to look further --

9 A. Okay.

10 Q. -- but that's what the bigger printouts are at the
11 end of this.

12 A. Okay.

13 Q. Do you know Dr. Clifford Alprin?

14 A. Yes.

15 Q. When's the last time you spoke with Dr. Alprin?

16 A. Oh, it's been a few months.

17 Q. How do you know Dr. Alprin?

18 A. I worked with him for a few years now.

19 Q. Worked with him in what capacity?

20 A. As a financial services provider.

21 Q. What does that encompass?

22 A. Could you be more specific?

23 Q. What does a financial service provider encompass, as
24 relating to Dr. Clifford Alprin?

25 A. Okay. Tax planning, investment planning, financial

1 planning, retirement planning.

2 Q. How long has Dr. Alprin been your client?

3 A. I'm not sure exactly, but he predates Southeast, so
4 he was someone I began working with while at Ameriprise.

5 Q. Was Dr. Alprin referred to you when you were at
6 Ameriprise?

7 A. I believe so.

8 Q. Did you contact Dr. Alprin when you left Ameriprise?

9 A. Yes.

10 Q. And did he remain a client of yours at Southeast?

11 A. That's correct.

12 (Securities Exhibit No. 22 marked for identification
13 and made a part of the record)

14 Q. (By Ms. Shaw) Let's look at Exhibit 22.

15 A. Okay.

16 Q. This exhibit will contain both of Dr. Alprin's
17 accounts. We'll have -- the exhibit is kind of set up with
18 his IRA applications and some order tickets and then his
19 second IRA and order tickets. Just so you're aware of what
20 these multi-page exhibits are in there.

21 Let's talk about the information contained on Page
22 251. First of all, what is this form?

23 A. As stated, it is an IRA Application.

24 Q. Whose handwriting is on Page 251?

25 A. I'm not exactly certain.

1 Q. Would there be a possibility that it could be your
2 handwriting?

3 A. No.

4 Q. How would you have gotten this form to Dr. Alprin?

5 A. I don't recall --

6 MR. JORGENSEN: I'd just object to the form. Again,
7 I'm just not sure -- what he usually does or what he did this
8 time.

9 Q. (By Ms. Shaw) How did this form get to Dr. Alprin?

10 A. I don't recall.

11 Q. Did Dr. Alprin request to set up a new IRA account
12 with Southeast?

13 A. Can you restate that question?

14 Q. Yes.

15 Did you contact Dr. Alprin and request that he
16 change -- open a new IRA account with Southeast?

17 A. Yes.

18 Q. After that call, did you get this form to Dr. Alprin
19 to set up an IRA account with Southeast?

20 A. Yes.

21 Q. On Page 253 under "Suitability" --

22 A. Okay.

23 Q. -- did you complete this information or did
24 Dr. Alprin?

25 A. I believe it may be a little bit of both.

1 Q. Would it be fair to say -- is it fair to say that
2 you worked with Dr. Alprin to complete this information?

3 A. That would be correct.

4 Q. Under "Investment Profile," did you work with
5 Dr. Alprin to complete this section?

6 A. That would be correct.

7 Q. Under -- on Page 4, under "Investment Product
8 Knowledge," did you work with Dr. Alprin to complete this
9 section?

10 A. That would be correct.

11 Q. Under "Additional Suitability Information," did you
12 work with Dr. Alprin to complete this section?

13 A. That would be correct.

14 Q. On Page 256, is this your signature at the end of
15 the form?

16 A. Yes.

17 Q. And what is the date of your signature?

18 A. April 12th, 2012.

19 Q. After you completed this form, what -- what was the
20 next step? After you received this form from Dr. Alprin and
21 completed it, what did you do then?

22 A. The process is usually to send it up to Southeast
23 home office.

24 Q. Do you know how you sent this form to the Southeast
25 home office?

1 A. I believe by mail.

2 Q. And where would you have met with Dr. Alprin to work
3 on this form?

4 A. That, I don't recall.

5 Q. Do you know where you were at when you mailed the
6 form to Southeast?

7 A. That, I don't recall.

8 Q. Do you know if you were in Oklahoma at the time you
9 mailed the form?

10 A. I do not recall.

11 Q. Let's go to Page 257 of this form.

12 A. Okay.

13 Q. This states it's a Mutual Fund Order Ticket. Have
14 you ever seen this form before?

15 A. No, I have not.

16 Q. Okay. I'm going to use the order ticket to ask you
17 about the transaction. We can get a statement if we need to,
18 but hopefully we can go from this.

19 Do you know what your representative number is from
20 Southeast?

21 A. 354.

22 Q. It's -- so No. 354, that would be you, then,
23 completing this transaction?

24 A. Completing --

25 Q. I'm sorry. You would be the representative relating

1 to this Mutual Fund Order Ticket?

2 A. Completing the transaction or initiating the
3 transaction?

4 Q. Initiating the transaction.

5 A. Okay.

6 Q. You are the representative affiliated with --

7 A. Initiating the transaction, that would be correct.

8 Q. Okay. So you are the representative affiliated with
9 this order ticket for Dr. Clifford Alprin?

10 A. Correct.

11 Q. The name of this order ticket is for a purchase of
12 Transamerica Asset Allocation Portfolio, and it is a solicited
13 transaction. Why would you have solicited Dr. Alprin to
14 purchase Transamerica Asset Allocation Portfolio?

15 A. Per the profile we just reviewed on his application.

16 Q. All right. And this was done in May of 2012, May
17 11th, 2012. Did you review the profile before you solicited
18 him to make this purchase?

19 A. I can't say specifically.

20 Q. So how would you have known it was suitable for
21 Dr. Alprin?

22 A. The profile, once it's established, stays on the
23 system.

24 Q. So before you make a recommendation for a client, do
25 you go on the system and review the profile?

1 A. Once we know the profile, then recommendations fall
2 in line with the profile. If there is a possibility that a
3 recommendation isn't suitable, the broker-dealer, since all
4 orders go through them, would alert us to it.

5 Q. Did you find this mutual fund on your own and
6 recommend it to Dr. Alprin or was it something that Southeast
7 had presented to the -- their brokers?

8 A. I believe this was an existing position that Alprin
9 owned and we just added to it.

10 Q. Okay. And you state "we," who was we?

11 A. "We" being myself and Southeast as the holder of the
12 assets.

13 Q. And do you know where you were located at the time
14 this mutual fund order was completed?

15 A. I believe I was in Texas.

16 Q. Do you have any receipts for that trip to Texas?

17 A. No, I do not.

18 Q. All right. Let's look at Page 258. This is, again,
19 a Mutual Fund Order Ticket for Dr. Clifford Alprin. Have you
20 seen this order ticket before?

21 A. No.

22 Q. Is this your representative number at the top, 354?

23 A. Yes.

24 Q. Okay. This is a order ticket for purchase of
25 Transamerica Asset Allocation Growth Portfolio; is that

1 correct?

2 A. As stated.

3 Q. And it was a solicited purchase?

4 A. Yes.

5 Q. Why did you contact Dr. Alprin to see if he would
6 like to purchase Transamerica Asset Allocation?

7 A. I'm not certain of who contacted who, so I can't
8 answer correctly on that. So can you restate your question?

9 Q. You solicited this order, correct?

10 A. Solicited the purchase of the fund, yes.

11 Q. Yes, you solicited the purchase.

12 Why did you solicit the purchase of this fund?

13 A. The fund was already existing, as per you just saw
14 on the other confirmation, same fund, same symbol, added
15 money.

16 Q. And why did you solicit Dr. Alprin to add money to
17 this fund?

18 A. Oh. From what I recall, he makes contributions for
19 tax purposes periodically to this account. And once the funds
20 hit, we discuss where to place it. And, again, it fell in
21 line with his previously established objective.

22 Q. Would you have called Dr. Alprin to initiate this
23 transaction?

24 A. Again, it could have been by phone or -- or maybe we
25 already discussed it when he made the contribution, so it

1 would have already been known.

2 Q. So when he made what contribution, the --

3 A. Contribution of money into this account.

4 Q. And how would you have known that this was suitable
5 for Dr. Alprin?

6 A. As it fits in line with previously established
7 profile.

8 Q. So would you have had to pull the profile from
9 Southeast?

10 A. We don't have to pull the profile each time we make
11 a transaction, if that's what your question is.

12 Q. Yes.

13 Are you that familiar with Dr. Alprin's personal
14 financial needs that you don't have to look at the profile?

15 A. That would be a correct statement.

16 Q. Do you know where you were when this mutual fund
17 was -- order -- the purchase from -- was made? Do you know
18 where you were located?

19 A. I believe I was in Texas.

20 Q. You say you believe you were in Texas, but are you
21 positive that you were in Texas?

22 A. Being that this is a couple of years ago, I can't
23 state with specificity.

24 Q. So you just think you were in Texas at the time?

25 A. Yes.

1 Q. Do you have any receipts from this trip to Texas?

2 A. I couldn't tell you right off.

3 Q. All right. Let's go to Page 259. This is a Mutual
4 Fund Order Ticket for Dr. Clifford Alprin, but the
5 representative is now No. 368. Do you know who representative
6 368 is?

7 A. Yeah. That's Lamar Guillory.

8 Q. And why would Lamar be completing this transaction
9 for Dr. Clifford Alprin?

10 MR. JORGENSEN: Objection to the form. He may know,
11 but I object to the form as asked.

12 Q. (By Ms. Shaw) Why did you not complete this
13 transaction for Dr. Clifford Alprin?

14 A. I was serving --

15 MR. JORGENSEN: You want him to answer that one,
16 right?

17 MS. SHAW: Yes.

18 MR. JORGENSEN: All right. I won't object to that
19 one.

20 MS. SHAW: No.

21 THE WITNESS: There was a 90-day sit-down from
22 FINRA, and this was covered during that time period.

23 Q. (By Ms. Shaw) What's a sit-down from FINRA?

24 A. Suspension.

25 Q. And why were you suspended from FINRA?

1 A. For the previous reviewed actions from my transition
2 from Ameriprise.

3 Q. Would you have talked to Dr. Alprin at all relating
4 in this mutual fund order?

5 MR. JORGENSEN: Here again, just --

6 Q. (By Ms. Shaw) Did you talk to Dr. Alprin relating
7 to this mutual fund order?

8 A. Possibly leading up to the time. But at the point
9 where I was suspended, Lamar took over and began the
10 interaction.

11 Q. When did your suspension begin?

12 A. I don't know the specific date. Sometime end of
13 '13, and was completed first part of '14.

14 Q. Okay. There was a -- on this order ticket it says a
15 liquidation fee amount of \$650. Did you receive any money
16 from this --

17 A. No.

18 Q. -- sale by Dr. Alprin?

19 A. No.

20 Q. The next transaction is on Page 260. It, again,
21 relates to Dr. Clifford Alprin --

22 MS. SHAW: I'm sorry.

23 Q. (By Ms. Shaw) -- 260. It relates to Dr. Alprin, a
24 purchase of "I" shares, the representative number is 368. Is
25 that Lamar Guillory's number?

1 A. That is correct.

2 Q. Did you talk to Dr. Alprin relating to this
3 transaction?

4 A. No.

5 Q. The next document is on Page 261. This is for a
6 purchase by Dr. Clifford Alprin. Representative number is
7 that of Lamar Guillory, 368. Did you talk to Dr. Alprin
8 relating to this transaction?

9 A. No.

10 Q. Next page, Page 262. This is, again, for purchase
11 by Dr. Clifford Alprin. The date of the purchase is October
12 30th, 2013. Representative number is 368, Lamar Guillory.
13 Did you talk to Dr. Clifford Alprin relating to this
14 transaction?

15 A. No.

16 Q. Page 262, again, a purchase by Dr. Clifford Alprin
17 on October 30th, 2013, Representative Number 368, Lamar
18 Guillory. Did you talk to Dr. Alprin relating to this
19 transaction?

20 A. No.

21 Q. You wouldn't have talked to him beforehand -- before
22 your suspension from FINRA?

23 A. If we talked before the suspension, in general,
24 Lamar would have talked more specific about these
25 transactions.

1 Q. How did Dr. Alprin meet Lamar Guillory?

2 A. Introduced through me.

3 Q. Did Lamar go with you to meet Dr. Alprin
4 face-to-face?

5 A. No.

6 Q. Was it introduced over the phone?

7 A. Yes.

8 Q. Were you in Oklahoma at the time you introduced them
9 over the phone?

10 A. That, I don't recall.

11 Q. Were you and Mr. Guillory on the same phone call
12 when you talked to Dr. Alprin to introduce him?

13 A. I don't believe so.

14 Q. What did you tell Dr. Alprin regarding Lamar
15 Guillory becoming the representative for his account?

16 A. That he was going to be handling securities
17 transactions on our behalf and that they could connect up
18 and -- I think that was about it.

19 Q. Did you tell him why Mr. Guillory would be handling
20 the securities transactions?

21 A. I did not mention my suspension, no.

22 Q. Did Dr. Alprin ask why?

23 A. No.

24 Q. Let's look at Page 264. This is another purchase by
25 Dr. Clifford Alprin --

1 A. Uh-huh.

2 Q. -- again, on October 30th, 2013, Representative 368
3 is Lamar Guillory. Did you talk to Dr. Alprin before this
4 transaction?

5 A. No.

6 Q. Go to Page 265. This is another purchase by
7 Dr. Alprin on October 30th, 2013. Representative is Lamar
8 Guillory, No. 368. Did you talk to Dr. Alprin before this
9 purchase?

10 A. No.

11 Q. Okay. Let's go to Page 266. This is another
12 purchase by Dr. Alprin, transacted on -- trade date of
13 October 30th, 2013. Representative Number 368, Lamar
14 Guillory. Did you talk to Dr. Alprin before this transaction?

15 A. Let me ask, you keep saying "before this
16 transaction," can you be more specific?

17 Q. Yes, I can.

18 A. Are they related to this transaction or --

19 Q. Yes. Did you talk to Dr. Alprin at any time
20 relating to this specific transaction?

21 A. No.

22 Q. Let's go to Page 267. This is another purchase by
23 Dr. Alprin on October 30th, 2013. The representative is Lamar
24 Guillory. Did you have any communication with Dr. Alprin
25 relating to this transaction?

1 A. No.

2 Q. Let's go to Page 268. The last purchase that we
3 have for this account of Dr. Alprin. It was, again, on
4 October 30th, 2013. Representative is Lamar Guillory. Did
5 you have any communication with Dr. Alprin relating to this
6 transaction?

7 A. No.

8 Q. All right. Let's go to Page 269. This is a second
9 IRA application that we have for Dr. Alprin. Do you know who
10 completed these forms -- I'm sorry.

11 Do you know whose handwriting is on these forms?

12 A. No.

13 Q. If you go to Page 271, did you complete the
14 Suitability section? Did work with Dr. Alprin to complete the
15 Suitability section?

16 A. Yes.

17 Q. Did work with Dr. Alprin to complete the Investment
18 Profile section?

19 A. Yes.

20 Q. The information that is contained on Page 272,
21 product knowledge and suitability information, Additional
22 Suitability Information, did you work with Dr. Alprin to
23 complete these sections?

24 A. Yes.

25 Q. And Dr. Alprin was completing this form to open a

1 new IRA account at Southeast; is that correct?

2 A. That would be correct.

3 Q. Why was he opening a new IRA account at Southeast?

4 MR. JORGENSEN: Object to the form as asked.

5 Q. (By Ms. Shaw) Do you know why Dr. Alprin was
6 completing an application for a new IRA account with
7 Southeast?

8 A. I can't speak specifically to why, but he was
9 continuing to work with us as his service provider.

10 Q. And was us -- who is "us"?

11 A. "Us" as is Watkins & Associates, and me as the
12 representative.

13 Q. And if you go Page 274, is that your signature?

14 A. Yes.

15 Q. And on -- the office manager that's listed on this
16 form is Ronald David Plexico, Jr., who is that?

17 A. I'm not sure.

18 Q. Have you ever worked with Mr. Plexico?

19 A. I'm -- I'm assuming he's a representative of
20 Southeast.

21 Q. That's fine.

22 And what is the date of your signature there?

23 A. Looks like that's April 20th.

24 Q. After this form was completed -- first -- let me
25 re-start.

1 Do you know where this form was -- what location you
2 were at when this form was completed?

3 A. No, I don't.

4 Q. What did you do with this form once it was
5 completed?

6 A. Forward it to Southeast, the broker-dealer home
7 office.

8 Q. How did you forward it to Southeast?

9 A. I'm not completely certain, but I believe by mail.

10 Q. Is it your standard practice to mail these forms to
11 Southeast?

12 A. Either mail or sometimes you can do a fax and/or
13 e-mail.

14 Q. Are you required, if you send them by mail, to
15 overnight them?

16 A. I don't know if it's an explicit requirement or just
17 an understood requirement, but get them there as quickly as
18 possible.

19 Q. So did you overnight this form to Southeast?

20 A. I can't recall. I would assume so.

21 Q. If you send anything by overnight, do you keep the
22 receipt?

23 A. I'm not certain. It's a -- it's a label and you put
24 it on the label.

25 Q. So you wouldn't track the item to make sure it was

1 received?

2 A. Usually not.

3 Q. If you did have a receipt, would you have given it
4 to your wife to -- as a business expense?

5 A. Yes.

6 Q. And are -- do you know if Sharmien keeps those
7 records for any time period?

8 A. 2012? I would probably doubt.

9 Q. All right. Let's go to Page 275. This is a Mutual
10 Fund Order Ticket with your representative number, 354. Have
11 you seen this order ticket before?

12 A. No.

13 Q. This order ticket reflects that there was a purchase
14 by Dr. Alprin of Transamerica Asset Allocation Growth
15 Portfolio. This is in a different account. This is Account
16 32042 of Dr. Alprin. Did you recommend that Dr. Alprin
17 purchase this fund?

18 A. Yes.

19 Q. And why did you recommend that?

20 A. In line with the previously stated client objective.

21 Q. Okay. And, again, did you have to go back and look
22 at those forms or were you just aware of -- that this would
23 fit?

24 A. Yeah. Yeah, aware.

25 Q. Do you know where you were when this transaction

1 occurred?

2 A. No, I do not.

3 Q. To maybe make this a little less painful for all of
4 us on the rest of these forms, if you would, look through the
5 rest of this exhibit, that's Page 276 through Page 289. These
6 all appear to be purchases or sales by Dr. Alprin, some of
7 them sales, that are under Representative Number 368, which is
8 Lamar Guillory.

9 A. Uh-huh.

10 Q. Did you talk to Dr. Alprin regarding any
11 transactions that occurred in this account in October of 2013?

12 MR. JORGENSEN: I'm not even going to object, so --
13 I'm just giving her some trouble. You --

14 THE WITNESS: No.

15 MR. JORGENSEN: -- can answer, even though it was
16 compound.

17 MS. SHAW: It was very compound, so if you would
18 like to go through all of them, we can.

19 MR. JORGENSEN: No, no, no. Sometimes we waive
20 those.

21 Q. (By Ms. Shaw) Is Dr. Alprin currently your client?

22 A. I believe so. He's under my number, as I'm dually
23 licensed in the State of Texas.

24 Q. And when did he go back under your number?

25 A. That, I'm not certain of. The suspension period

1 ended sometime in January. And, again, I'm not certain of the
2 actual process or dates by which the transfer occurred.

3 Q. So he would have gone back under your number after
4 your FINRA suspension was complete?

5 A. That is correct.

6 (Mr. Jorgenson confers with witness.)

7 Q. (By Ms. Shaw) Does Southeast change your number
8 automatically after your suspension -- or did Southeast change
9 your number back -- on Dr. Alprin and put him back under your
10 client number?

11 A. Yeah. I was going to say, clarify, they didn't
12 change the number. They changed the account representative.
13 And so how it happens, I'm not certain of.

14 Q. Okay.

15 A. Their -- they manage that on our behalf.

16 Q. Okay. Thank you for the clarification.

17 Has Dr. Alprin done any recent securities
18 transactions?

19 A. None that I'm aware of.

20 Q. And by recent, I mean any time in 2014, has he done
21 any transactions?

22 A. None that I'm aware of.

23 Q. Does Dr. Alprin usually just do transactions once a
24 year or do you -- are you aware of --

25 A. In the past, a couple of times a year, whenever

1 contributions are made for tax recording purposes.

2 Q. Did you handle -- does Watkins & Associates handle
3 Dr. Alprin's tax?

4 A. No.

5 Q. So how would you know when his taxes are complete or
6 he gets tax distributions?

7 A. I have no idea.

8 Q. He -- does Dr. Alprin contact you?

9 A. He would just contact us to put his contribution in
10 and show that it was made on record. And how his tax adviser
11 manages that, we have no clue of that.

12 Q. Okay. So the transactions that we've reviewed on
13 the order tickets with your account number, would that have
14 been -- there -- in 2012, were those transactions, Dr. Alprin
15 would have contacted you, and then you entered into these
16 transactions?

17 A. I can't -- I mean, you've got to be more specific.

18 Q. All right. Did you do any transactions or handle
19 anything for Dr. Alprin in the year 2013 after this -- he
20 received tax distributions?

21 A. I'm sorry. You're saying tax distributions --

22 MR. JORGENSEN: Well, let me just object to the
23 form. He's already said he doesn't know any dates. We don't
24 object to the question, did you do anything in that year.

25 MS. SHAW: Yeah.

1 MR. JORGENSEN: Okay. Follow?

2 Q. (By Ms. Shaw) Prior to your suspension in 2013 --

3 A. Okay.

4 Q. -- did you handle any transactions for Dr. Alprin?

5 A. Not that I recall, no.

6 Q. Do you do any insurance business for Dr. Alprin?

7 A. No.

8 (Securities Exhibit No. 23 marked for identification
9 and made a part of the record)

10 Q. (By Ms. Shaw) Let's look at Exhibit 23.

11 A. Okay.

12 Q. Let's -- the bottom part is where I want to start.

13 This is an e-mail from you to Dr. Alprin, or it appears to be;
14 is that correct?

15 A. That is correct.

16 Q. What was the purpose of this e-mail to Dr. Alprin?

17 A. I believe this was after the initial contributions
18 were being made and the funds -- we discussed his funds being
19 allocated, and so as a follow-up, this e-mail reflects that.

20 Q. Is it standard -- is it your standard practice to
21 send fax sheets on mutual funds to your clients?

22 A. Usually, yes.

23 Q. How do you usually send those to your clients? By
24 e-mail? By mail?

25 A. It varies.

1 Q. So this you sent to Dr. Alprin by e-mail, correct?

2 A. That's correct.

3 Q. On the bottom of this, your signature line just
4 contains Watkins & Associates Financial Services, and it does
5 not contain an address. Do you know why there's no address
6 there?

7 A. No, I don't.

8 Q. You -- we talked earlier, at the beginning of the
9 deposition, that you have addresses on them. So on your
10 signature line typically it's either the Tulsa address or the
11 Dallas address now. So do you ever send e-mails that don't
12 have an address on them?

13 A. I guess it would be -- I'm not certain technically
14 how it all works, whether it's the initial e-mail versus a
15 reply versus a forward. I think one triggers the auto
16 signature versus the other. So to be certain of that, I
17 couldn't speak specifically.

18 Q. That's fair.

19 At the top of the e-mail, on Page 290, it appears to
20 be an e-mail from Frank Black to you that says, "Rodney,
21 please give me a call." And then Frank Black. How would
22 Frank have received this -- the bottom portion of this e-mail?

23 Would you have forwarded your e-mail to Dr. Alprin?
24 Would you have forwarded that e-mail to Frank Black? Or did
25 you forward the e-mail to Frank Black?

1 A. If I recall, I believe the process was that outgoing
2 e-mails, you cc Frank and/or whomever the compliance officer
3 is at Southeast. And as a result of this, there was a request
4 for me to call him as it relates to this e-mail, given we were
5 in these uncharted, uncertain territories with my registration
6 in the state.

7 And from what I recall, the call was related to if I
8 was in Texas working with Mr. Alprin or in Oklahoma, or what
9 have you.

10 Q. So would you have blind-copied Frank Black on that
11 e-mail?

12 A. Yeah, I'm assuming that that may have been the case.

13 Q. And so after -- after this transaction, Frank would
14 have wanted to know if you were in Oklahoma or Texas or --
15 after this e-mail?

16 MR. JORGENSEN: Object to the form as to what Frank
17 would have wanted.

18 Q. (By Ms. Shaw) You believe this call -- the purpose
19 of the call was for Frank to learn if you were in Oklahoma or
20 Texas?

21 A. I believe so.

22 Q. Why would Frank have wanted that information?

23 A. Obviously to ensure that we were compliant with the
24 status of my registration in the state and that any work being
25 done in securities work with a Texas client was done in Texas.

1 Q. Where were you at the time this e-mail was sent?

2 A. I'm not completely certain.

3 Q. If you were in Texas, where would you have been at
4 in Texas?

5 A. Oh, gosh. I -- I couldn't tell you.

6 Q. Okay. All right. Let's look at Exhibit 24. And
7 this exhibit, there's two exhibit stickers on it. Exhibit --
8 the Exhibit 2 comes from a filing that you have made with the
9 Department. I left it on there just so you would know.

10 MR. JORGENSEN: That's fine.

11 (Securities Exhibit No. 24 marked for identification
12 and made a part of the record)

13 Q. (By Ms. Shaw) So Exhibit 24.

14 A. Uh-huh.

15 Q. Do you know why Dr. Alprin completed this affidavit?

16 A. Yes. It was prepared and delivered to him, and we
17 asked that he affirm that we did work and do those
18 transactions and that I was in the State of Texas.

19 Q. Who -- you said that -- who prepared this affidavit?

20 A. Counsel.

21 Q. Who contacted Dr. Alprin to ask him to complete it?

22 A. I did.

23 Q. How would Dr. Alprin have known you were in Texas?

24 A. He wouldn't have.

25 Q. Did you e-mail this affidavit to Dr. Alprin to

1 complete?

2 A. I don't recall.

3 Q. So you --

4 A. This is possible, but I really don't recall.

5 Q. Were you present when Dr. Alprin signed the
6 affidavit?

7 A. No.

8 Q. Let's look at Exhibit 25.

9 (Securities Exhibit No. 25 marked for identification
10 and made a part of the record)

11 Q. (By Ms. Shaw) Have you seen this affidavit before?

12 A. No.

13 Q. This is an affidavit completed by Dr. Alprin. Is
14 this affidavit -- we'll go to certain paragraphs of the
15 affidavit. Let's start with Paragraph 9. Is this the correct
16 number that -- for Dr. Alprin to call to contact you?

17 A. Yes. That's the main office number.

18 Q. And the main office number, the number in Tulsa,
19 Oklahoma?

20 A. Well, that number goes -- it's a virtual phone
21 system, so I can plug that into any Internet in anyplace in
22 the world and it'll go to that number.

23 Q. Okay. So how does that work?

24 If you were in Dallas when he calls this number,
25 let's -- you were at the Dallas office, how would that -- how

1 would you know to plug the number in and how would that -- in
2 general, how would the virtual number work to get to your
3 cell?

4 A. Yeah. It's -- the phone is like a computer, and so
5 wherever you get Internet access, you can get a dial and be
6 able to make and receive calls.

7 Q. Is there an app on your phone --

8 A. No.

9 Q. -- that you have to have?

10 A. No. It's all -- it's all just the phone system
11 itself.

12 Q. So it will come through on your -- would you know on
13 your phone that it was coming through as a virtual call or
14 just a --

15 A. Yeah, it's calls or calls. I don't know that
16 there's a difference between a virtual call or --

17 Q. If you have that access with this phone number, why
18 did you need a separate Dallas phone number for your office?

19 A. Just to ensure that we created a separation of my
20 Texas license until we worked closely with you guys to get
21 Oklahoma squared away.

22 Q. Did you ever tell Dr. Alprin to call the Texas
23 number?

24 A. No. No. He was made aware that -- that we had a
25 presence in Texas. But, again, this number, I can be in

1 Shanghai and get a call.

2 Q. Dr. Alprin states in Paragraph 10 that most of his
3 correspondence with you has been through electronic mail. Is
4 that accurate?

5 A. Yes.

6 Q. Do you have those e-mails still that Dr. Alprin sent
7 to you?

8 A. No. Typically, if he's making a contribution, he'll
9 e-mail -- the previous structure is already set, in terms of
10 us being able to pull money in and make contributions for him.
11 And I well image that it may have been some of Southeast's
12 disclosure of documentation. But once that's already set,
13 there's no other documentation, and so we just execute on his
14 request.

15 Q. So if -- when Dr. Alprin sends you an e-mail, do you
16 forward that e-mail to Southeast?

17 A. I don't recall.

18 Q. And, again, there -- you keep no e-mails from
19 Dr. Alprin?

20 A. No.

21 MS. SHAW: Okay. I think now would be a good --

22 MR. JORGENSEN: Just for the record.

23 MS. SHAW: Yes.

24 MR. JORGENSEN: He said he hadn't seen this. I just
25 want counsel to be aware, we send all -- this is attached to

Rodney Watkins
May 9, 2014

In Re: Rodney Watkins vs.
Case No. 12-058

Page 1

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

In the Matter of:)
)
RODNEY LARRY WATKINS, JR.,)
(CRD #43035); and FRANK H.) ODS FILE NO.
BLACK (CRD #22451);)
) 12-058
Respondents.)

CONTINUED DEPOSITION OF RODNEY WATKINS, JR.
TAKEN ON BEHALF OF THE DEPARTMENT OF SECURITIES
IN TULSA, OKLAHOMA
ON MAY 9, 2014

* * * * *

WORD FOR WORD REPORTING, LLC.
111 NORTH HARRISON, SUITE 101
OKLAHOMA CITY, OKLAHOMA 73104

Reported By: Chrystal H. Vance, CSR

1 if you were hearing him all right.

2 THE COURT REPORTER: I got it, but
3 it's really --

4 MR. WADDLE: -- speaks softly. Yeah.
5 Just volume-wise, just speak up just a little bit.

6 THE WITNESS: Okay.

7 THE COURT REPORTER: Thank you.

8 Q. (By Ms. Shaw) Exhibit 26 that is before
9 you, what is this -- I'm sorry, let me restart
10 that.

11 Exhibit 26, the first page is this, an
12 IRA application for Lonnie Lewis?

13 A. Yes.

14 Q. Do you know who completed this
15 application?

16 A. No.

17 Q. Did you help Mr. Lewis complete this
18 application?

19 A. It's possible.

20 Q. On -- and, again, when I refer to page
21 numbers, I know there's all kind of page numbers
22 on this document. I'm referring to the ones on
23 the left-hand corner.

24 A. Okay.

25 Q. So if you look at Page 293 through 298,

1 would that be the entire new account application?

2 A. As it looks, yes.

3 Q. Is that your signature on Page 298?

4 A. Yes.

5 Q. Were you in Texas when Mr. Lewis filled
6 out this new account application?

7 A. Yes.

8 Q. Did he give you a copy of the application
9 while you were in Texas?

10 A. Yes.

11 Q. What did you do when you received the
12 copy?

13 A. Well, we typically have to mail those in
14 to Southeast for the account process to be
15 completed.

16 Q. So you would have mailed this document in
17 to Southeast?

18 A. Correct.

19 Q. Would you have mailed it in the day you
20 received it?

21 A. Oh, I couldn't recall.

22 Q. Do you know if you were in Texas when you
23 mailed it in?

24 A. I believe so.

25 Q. Do you overnight mail these?

1 A. It depends.

2 Q. Let's go to Page 299. Have you seen this
3 document before?

4 A. No.

5 Q. This is the order ticket for Lonnie Lewis
6 to sell Columbia Portfolio Builder. It is marked
7 as solicited. Do you know if you were the agent
8 on the account when -- for this order?

9 A. Yes.

10 Q. And how do you know that you were the
11 agent?

12 A. Well, that -- the rep number. And this
13 was during the time that my license was active in
14 Texas.

15 Q. So Rep Number 354, that is your rep
16 number?

17 A. Yes.

18 Q. And how did you know this transaction was
19 suitable for Mr. Lewis?

20 A. Again, based on the predetermined profile
21 and the suitability requirements.

22 Q. So you reached out to Mr. Lewis for this
23 transaction?

24 A. I believe that it was the other way
25 around. He reached out, given that he needed to

1 sell to liquidate for a distribution.

2 Q. Why would it be marked as solicited?

3 A. Solicited is -- that's the security level
4 selected to sell by me as the agent.

5 Q. So Mr. Lewis would have contacted you and
6 told you he needed some funds and then you would
7 have suggested what he'd sell?

8 A. Correct.

9 Q. Do you know where you were located when
10 Mr. Lewis contacted you about selling?

11 A. This was, again, some time in Dallas.

12 Q. So you can -- you know for sure you were
13 in Dallas when he called you and said, "I think I
14 need to sell for my portfolio?"

15 A. It would have been a meeting where it was
16 discussed that he needed to sell.

17 Q. How would you have set up that meeting
18 with Mr. Lewis?

19 MR. WADDLE: That's not -- you're
20 asking all those "would" questions again. My only
21 objection is -- just to be clear about -- we're
22 asking about a kind of a usual practice. This
23 probably can form to as opposed to a memory of
24 this particular -- either one of those is fine.
25 But I think he needs to be clear about --

1 MS. SHAW: Okay.

2 MR. WADDLE: -- which one he's
3 answering.

4 MS. SHAW: Okay.

5 Q. (By Ms. Shaw) How did you set up the
6 meeting with Mr. Lewis?

7 A. That, I don't recall. It could have been
8 a phone call or -- I mean, we're -- in addition to
9 working together, social, you know, old friends.
10 So it could have been various ways.

11 Q. Did you set up the meeting when you were
12 in Oklahoma?

13 A. I don't recall.

14 Q. Is it possible that you were in Oklahoma
15 when you set up that meeting?

16 A. It is possible.

17 Q. Do you know where you met with him?

18 A. We usually meet at a restaurant out in
19 Arlington near Six Flags. He's in that area,
20 lives in that area.

21 Q. Would Lonnie Lewis have had to complete
22 any paperwork to make this sale?

23 A. No.

24 Q. And you did not complete this order
25 ticket?

1 A. No.

2 Q. Do you know if you were in Texas at the
3 time of this sale?

4 A. I believe so, yes.

5 Q. Would you have any records to show that
6 you were in Texas for this sale?

7 A. Not that I can be aware of specifically.

8 Q. Did you have an office in Texas at this
9 time?

10 A. No.

11 Q. Let's go to Page 300. Have you seen this
12 document before?

13 A. No.

14 Q. This is a mutual fund order ticket for
15 Mr. Lewis. The date is 7/23/2012. Is this your
16 representative number at the top?

17 A. Yes.

18 Q. And this purchase was marked as
19 solicited, is that correct?

20 A. That's correct.

21 Q. How did you know that this purchase was
22 suitable for Mr. Lewis?

23 A. Per the pre-established profile.

24 Q. And you would have accessed that -- or
25 did you access that profile online?

1 A. Yeah, it's -- it's Southeast's portal.

2 Q. Did you ever receive a copy of this order
3 ticket after it was submitted?

4 A. No.

5 Q. Did Mr. Lewis have to complete anything
6 to purchase this product --

7 A. No.

8 Q. -- on Page 300?

9 A. No.

10 Q. Thank you. Did you have a Texas office
11 at the time of this purchase?

12 A. No. There was an inquiry, actually,
13 month, two months, prior to this, but none
14 actually established.

15 Q. There was an inquiry relating to what?

16 A. Office space.

17 Q. Who inquired about office space?

18 A. I did.

19 Q. Who did you -- who did you discuss office
20 space with?

21 A. Regis Management.

22 Q. Why did you not get an office at that
23 time with Regis?

24 A. Under the expectation that we would be
25 settling an agreement with Oklahoma.

1 MS. SHAW: Thank you for clarifying.

2 MR. WADDLE: -- looked at, but I
3 think his questions go to had he ever seen it
4 prior to this proceedings.

5 MS. SHAW: Yes, yes.

6 MR. WADDLE: Just so we're clear on
7 that. He did have access to the entire notebook.
8 Not just when you questioned him about it before.

9 MS. SHAW: Thank you for clarifying
10 that.

11 MR. WADDLE: All right. Cool.

12 Q. (By Ms. Shaw) Did you see the affidavit
13 on Exhibit 27 prior to Mr. Lewis signing?

14 A. Yes.

15 Q. Did you have any input in the affidavit?

16 A. What do you mean? Can you clarify
17 "input?"

18 Q. Who prepared the affidavit?

19 A. Counsel.

20 Q. Did you suggest any contents for the
21 affidavit?

22 A. No.

23 Q. Let's go to Exhibit 28. How long have
24 you known Terry Payne?

25 A. Not certain of the total number of years,

1 but he's been someone worked with for quite some
2 time.

3 Q. Did you work with him at Ameriprise?

4 A. At Ameriprise as well as Merrill Lynch.

5 Q. Where does Mr. Payne live?

6 A. He's in Wichita, Kansas.

7 Q. Page 304 through 309 of this Exhibit 28,
8 is that Mr. Payne's new account application?

9 A. As it looks, yes.

10 Q. Is that your signature on Page 309?

11 A. Yes.

12 Q. Would you have helped Mr. Payne complete
13 this new account application?

14 MR. WADDLE: The same --

15 Q. (By Ms. Shaw) Did you help Mr. Payne
16 complete this new account application?

17 A. It's possible.

18 Q. How did you receive this new account
19 application from Mr. Payne?

20 A. I don't recall.

21 Q. Were you in Kansas when you got the
22 application from Mr. Payne?

23 A. It's possible.

24 Q. Were you in Oklahoma when you got the
25 application from Mr. Payne?

1 A. Not certain.

2 Q. Is it possible?

3 A. It's possible.

4 Q. This application was signed June 27th,
5 2012. Where was your securities office in June
6 27th, 2012?

7 A. I didn't have an existing securities
8 office at that time.

9 Q. Did you disclose a securities office on
10 CRD at that time?

11 A. I believe so. At the office address on
12 record was 46 East 16th Street.

13 Q. Do you have any records from -- for a
14 trip -- do you have any records for a Kansas trip
15 to see Mr. Payne?

16 A. Not that I recall.

17 Q. Let's go to Page 310.

18 A. Okay.

19 Q. Have you seen this document before?

20 A. As it relates --

21 Q. I'm sorry have you seen -- when I ask --
22 just clarify for the record.

23 If I ask if you have seen this document
24 before, I'm saying prior to the previous
25 deposition.

1 MR. WADDLE: Yeah.

2 MS. SHAW: So prior to that
3 deposition --

4 MR. WADDLE: That works, yeah.

5 Q. (By Ms. Shaw) -- have you seen this --

6 A. Right. No.

7 Q. Is your representative number on the
8 bottom left-hand of this order ticket?

9 A. Yes.

10 Q. How did you know this transaction was
11 suitable for Mr. Payne?

12 A. Previously-established profile.

13 Q. And where was that previously-established
14 profile stored?

15 A. Southeast.

16 Q. Southeast website?

17 A. Yes. On his account statement that they
18 keep.

19 Q. So you had access to this -- to his
20 profile through the Southeast portal?

21 A. That's correct.

22 Q. What is the phone number or -- on the
23 bottom right-hand of that, do you recognize that
24 phone number?

25 A. Yes. Looks like it's for the number to

1 the Oklahoma office.

2 MR. WADDLE: Speak up just a little
3 bit.

4 THE WITNESS: I'm sorry.

5 MR. WADDEL: She's having a little
6 trouble, I think.

7 THE WITNESS: Sorry.

8 Q. (By Ms. Shaw) That is the phone number to
9 the Oklahoma Watkins & Associates' office?

10 A. That's correct.

11 Q. Why would that phone number be on the
12 document?

13 A. I don't know.

14 Q. Do you know whose handwriting is on this
15 order ticket?

16 A. No.

17 Q. Please turn to Page 311. Have you seen
18 this new account application, which is Page 311
19 through 316? Have you seen this document before?

20 A. I would assume so.

21 Q. Is your signature on Page 316?

22 A. Yes.

23 Q. Did you help Mr. Payne complete this
24 application?

25 A. It's -- it's possible.

1 Q. Do you typically help a client complete
2 the new account application?

3 A. It depends.

4 Q. Well, what does it depend on?

5 A. If they have questions or need clarity on
6 any of the profile in questions.

7 Q. Do you have to send -- in this case, did
8 you have to send Mr. Payne a copy of the account
9 application to complete?

10 A. It's possible.

11 Q. Could Mr. Payne have received this
12 application by e-mail?

13 A. It's possible.

14 Q. Would Mr. Payne be able to access this
15 new account application without going through --
16 as his broker?

17 A. Yes.

18 Q. How would he be able to access that?

19 A. From the web.

20 Q. Please turn to Page 317. Have you seen
21 this order ticket before?

22 A. No.

23 Q. Is your representative number on the
24 bottom left-hand corner?

25 A. Yes.

1 Q. And the phone number that is written
2 here, is that your Tulsa office phone number?

3 A. Yes. This is the same as the other one.

4 Q. You are correct. And I apologize.

5 MS. SHAW: Page 317, for the record,
6 is the same as Page 310.

7 Q. (By Ms. Shaw) Thank you.

8 Let's go to Exhibit 29. Did you see this
9 affidavit prior to Terry Payne signing?

10 A. Yes.

11 Q. Who prepared the affidavit?

12 A. Counsel.

13 Q. Did you request Mr. Payne sign this
14 affidavit?

15 A. Yes.

16 Q. Did you send the affidavit to Mr. Payne?

17 A. Yes.

18 Q. After counsel prepared this affidavit,
19 did you make any changes?

20 A. No.

21 Q. How would Mr. Payne have known that you
22 were in Dallas, Texas?

23 MR. WADDLE: Object to the form. You
24 can answer subject to that.

25 THE WITNESS: Based on our

1 discussion.

2 Q. (By Ms. Shaw) So you told Mr. Payne that
3 you were in Dallas, Texas?

4 A. Yes.

5 Q. And it says you were operating out of
6 your sister's home.

7 A. That's correct.

8 Q. Did you have an office at your sister's
9 home?

10 A. If you consider that an office address,
11 yes. I mean, there was a desk and computer and
12 printer. So it depends on what constitutes an
13 office.

14 Q. Tell me about your sister's house, where
15 you had the desk and computer and printer. Did
16 you have any type of security on that computer
17 where your sister couldn't --

18 A. It's my laptop, so it goes with me
19 wherever I go.

20 Q. Did you have a designated spot in her
21 home that you did client business?

22 A. I mean, there's an area that is a small
23 office, so -- that has office equipment.

24 Q. Was your sister aware that you were using
25 her home for your securities business in Texas?

1 MR. WADDLE: Object to the form.

2 Answer subject to that.

3 THE WITNESS: Okay.

4 Yes.

5 Q. (By Ms. Shaw) Did Mr. Payne mail this
6 affidavit to you after he signed it?

7 A. Yes.

8 Q. Where did he mail the affidavit?

9 A. I don't recall.

10 Q. Do you know what address you received the
11 affidavit?

12 A. I don't recall.

13 Q. Turn to Exhibit 30. Who is Brenda
14 Walker?

15 A. A Texas client.

16 Q. How long have you worked with
17 Mrs. Walker?

18 A. A number of years.

19 Q. Did you work with her at Ameriprise?

20 A. Ameriprise as well as Merrill Lynch.

21 Q. On Page 319 through 324, is this a new
22 account application for Brenda Walker?

23 A. Yes.

24 Q. Have you seen this application before?

25 A. Yes.

1 Q. Is your signature on Page 324?

2 A. Yes.

3 Q. Did you help Ms. Walker fill out this
4 application?

5 A. It's possible.

6 Q. Did you submit this application to
7 Southeast?

8 A. Yes.

9 Q. Did Southeast ever question any of the
10 new account applications you mailed to them?

11 A. Not that I recall.

12 Q. And I assumed, then, that you mailed this
13 document to Southeast. I apologize.

14 Do you know how you sent this application
15 to Southeast?

16 A. I believe it would have been mailed.

17 Q. Okay. So Southeast did not question any
18 of the new account applications you submitted?

19 A. Not that I recall.

20 Q. Who would you -- who do you currently
21 send the new account applications to?

22 A. I don't know that there's a specific
23 person. Once it gets in their hands, they have
24 their process on how they manage.

25 Q. Are you required to mail the new account

1 applications?

2 A. I believe the IRAs are required. They
3 require original signatures. But I think there
4 may be some accounts that you can fax in.

5 Q. Have you ever faxed a new account
6 application?

7 A. I don't recall specifically.

8 Q. Please turn to Page 325 of this exhibit.
9 What is this document?

10 A. It's the client's request for
11 beneficiaries.

12 Q. Is your name at the top of this document?

13 A. Yes.

14 Q. Is that your fax number?

15 A. Yes.

16 Q. Do you have a fax machine?

17 A. We have a fax machine as well as an
18 electronic way to receive faxes on our e-mail.

19 Q. Where's the fax machine located?

20 A. We got the one that's -- the hard line is
21 at our office here in Oklahoma and then the e-mail
22 electronic one goes wherever your computer goes.

23 Q. Where is -- what is the fax number for
24 the hard line?

25 A. This fax number that you see, but it's

1 also portable too.

2 Q. So this fax number is for the hard line
3 but it is also electronic?

4 A. Is portable, yes.

5 Q. Do you have any other fax numbers?

6 A. Yes. I don't know the other right off.

7 Q. Why do you have multiple fax numbers?

8 A. I don't recall. We just have different
9 fax numbers.

10 Q. Do you always give the same fax number to
11 your clients?

12 A. It depends.

13 Q. What does it depend on?

14 A. Whichever number that's given to them.

15 There's no rhyme or reason to it necessarily.

16 These -- these -- this fax number was one that was
17 established prior to my wife practice getting up
18 and running. And with her practice, we started
19 established another one, so we use either one.

20 Q. Do you have any security measures in
21 place when you receive a fax at your office?

22 A. Be more specific, please.

23 Q. Can your wife receive your faxes, as well
24 as you?

25 A. It's possible.

1 Q. Please turn to Page 326. Have you seen
2 this document before?

3 A. No.

4 Q. Is that your representative number on
5 this document?

6 A. Yes.

7 Q. After the sale of General Electric by
8 Mrs. Walker, did Southeast send you any type of
9 confirmation?

10 A. No.

11 Q. Would they send -- did they send
12 Mrs. Walker a confirmation?

13 A. I believe so.

14 Q. Why was this sale suitable for
15 Ms. Walker?

16 A. Based on previously-established
17 profiling.

18 Q. And how did you determine suitability?

19 A. Based on previously-established profile.

20 Q. How did you access the
21 previously-established profile?

22 A. Online.

23 Q. Thank you.

24 Do you recognize the handwriting on Page
25 326?

1 A. No.

2 Q. Please turn to Page 327. Have you seen
3 this order ticket before?

4 A. No.

5 Q. Is this your representative number in the
6 bottom left-hand corner?

7 A. Yes.

8 Q. Why was this sale suitable for
9 Mrs. Walker?

10 A. Based on previously-established
11 suitability.

12 Q. Where were you at, at the time of this
13 sale by Mrs. Walker?

14 A. I believe in Dallas, Texas.

15 Q. Do you have any records to prove that you
16 were in Dallas, Texas at this time?

17 A. Not certain.

18 Q. Would there be any records to show that
19 you had made a trip to Dallas, Texas in June 2012?

20 MR. WADDLE: Object to the form.
21 Answer to what -- answer as to what you know about
22 that. How is that?

23 Q. (By Ms. Shaw) Did you keep any records to
24 show that you had gone to Dallas, Texas in June?

25 A. Not intentionally, no.

1 Q. Why was this sale suitable for
2 Ms. Walker?

3 A. Previously-established profile.

4 Q. Do you remember why Mrs. Walker needed to
5 sell Morgan Stanley?

6 A. No.

7 Q. Please turn to Page 330. Let's look at
8 330 through 335. Is that the completed new
9 account application for Brenda Walker?

10 A. Yes, it looks to be.

11 Q. Is that your signature on Page 335?

12 A. Yes.

13 Q. Do you know where you were located in May
14 23rd, 2012?

15 A. I believe Dallas, Texas.

16 Q. Why do you believe Dallas, Texas?

17 A. It's where the client is located.

18 Q. So do you typically go where the client
19 is located to receive new account applications?

20 A. If at all possible. I would say during
21 this time, with frequent trips to Dallas, there's
22 a high likelihood I was there in Dallas to
23 complete this application.

24 Q. How frequently did you go to Dallas in
25 2012?

1 A. Pretty much monthly.

2 Q. Did you still have your insurance
3 business in 2012?

4 A. Yes.

5 Q. Was it operated out of Oklahoma?

6 A. Oklahoma and Texas.

7 Q. Please turn to Page 336.

8 A. Okay.

9 Q. Have you seen this order ticket before?

10 A. No.

11 Q. Is that your rep number in the bottom
12 left-hand corner?

13 A. Yes.

14 Q. Why was this sale suitable for
15 Mrs. Walker?

16 A. Established suitability profile.

17 Q. It says you solicited the sale of this.
18 Why would you have solicited that sale?

19 A. I don't recall.

20 Q. Would you have had a meeting -- or did
21 you have a meeting with Mrs. Walker prior to this
22 sale of Bank of America?

23 A. It was probable.

24 Q. Do you remember any specific meeting with
25 Mrs. Walker?

1 A. It was presented to her, yes.

2 Q. Did you present it to Brenda Walker?

3 A. Yes.

4 Q. Where were you when you presented the
5 affidavit to Brenda Walker?

6 A. Dallas, Texas.

7 Q. Did you meet with Mrs. Walker on several
8 occasions in Dallas, Texas?

9 A. Yes.

10 Q. Thank you.

11 Please turn to Exhibit 32. Who's Carolyn
12 Williams?

13 A. Long-standing customer and family friend.

14 Q. How long has Mrs. Williams been a
15 customer?

16 A. Quite some time, predating Ameriprise as
17 well as back to Merrill Lynch.

18 Q. Do you handle an account for Carolyn
19 Williams' nephew as well?

20 A. Yes.

21 Q. And is his name Troy Shawn Reed?

22 A. Yes.

23 Q. Is the signature on Page 354 -- is that
24 your signature?

25 A. 354?

1 Q. Or 345. I apologize.

2 A. Yes.

3 Q. Do you know where you were located when
4 you signed these documents?

5 A. I believe Dallas, Texas.

6 Q. Why do you believe Dallas, Texas?

7 A. It would coincide with my pattern of
8 having frequent visits to Dallas during that time.

9 Q. And you have no record to show that you
10 were in Dallas, Texas?

11 A. No, nothing specific.

12 Q. Please look at Page 346. Have you seen
13 this order ticket before?

14 A. No.

15 Q. Is your representative number at the top
16 of this order ticket?

17 A. Yes.

18 Q. Why was this purchase suitable for
19 Mrs. Williams?

20 A. Previously-established suitability.

21 Q. And where did you access the
22 previously-established suitability?

23 A. Southeast website.

24 MR. WADDEL: Southeast, what?

25 THE WITNESS: Website. I'm sorry.

1 Q. (By Ms. Shaw) Does Ronica do any type of
2 securities business?

3 A. No.

4 Q. Does she go any type of insurance
5 business?

6 A. No.

7 Q. On Exhibit 34, let's look at Page 349
8 through 354.

9 A. 349 through 354?

10 Q. Yes.

11 A. Okay.

12 Q. Have you seen this application before?

13 A. Yes.

14 Q. Is that your signature on Page 354?

15 A. Yes.

16 Q. How long has Ronica been your insurance
17 client -- I'm sorry -- your securities client.

18 How long has Ronica been your securities
19 client?

20 A. Oh, again, predates Ameriprise back to
21 Merrill Lynch.

22 Q. Please turn to Page 355. Have you seen
23 this order ticket before?

24 A. No.

25 Q. Is your rep number at the top of this

1 order ticket?

2 A. Yes.

3 Q. Why did you suggest that Ronica sell
4 Blackrock Global Applications?

5 A. I don't recall.

6 Q. Please turn to Page 356. Have you seen
7 this order ticket before?

8 A. No.

9 Q. Is your rep number at the top?

10 A. Yes.

11 Q. Do you recall why you suggested that she
12 sell Blackrock Global in this instance?

13 A. I don't recall.

14 Q. Let's turn to Page 357. Have you seen
15 this order ticket before?

16 A. No.

17 Q. The rep number at the top of this is 368.
18 Is that Mr. Guillory?

19 A. Yes.

20 Q. Thank you.

21 Please turn to page or -- please turn to
22 Exhibit 35. Did you see this affidavit before
23 sending it to Mrs. Watkins?

24 A. Yes.

25 Q. Did you send the application to

1 Mrs. Watkins?

2 A. I presented it to her in Dallas.

3 Q. When you met with Ronica in Dallas, where
4 did you meet?

5 A. Probably at place of residence.

6 Q. Would you have ever met with her any
7 other location?

8 A. No.

9 Q. Did you prepare this affidavit?

10 A. No.

11 Q. Who prepared the affidavit?

12 A. Counsel.

13 Q. Thank you.

14 Please turn to Exhibit 36. Have you seen
15 this affidavit before?

16 A. Yes.

17 Q. Is this your affidavit?

18 A. Yes.

19 Q. Did you sign this affidavit?

20 A. Yes.

21 Q. Talk about No. 5 of this affidavit. Does
22 No. 5 state "My office and primary place of
23 business is located at 46 East 16th Street, Tulsa,
24 Oklahoma?"

25 A. Yes.

1 MS. SHAW: I think it has --

2 MR. WADDLE: He remembers better than
3 I that it was produced.

4 Q. (By Ms. Shaw) I guess what I'm wondering
5 is if it would be Watkins & Associates meeting
6 notices, would that have --

7 A. Oh, no --

8 Q. -- been the document?

9 A. No. It was a document produced by Regis.
10 So after going back and reviewing and recalling
11 that I was in Dallas around this time, I actually,
12 physically, went to their office. They produced a
13 schematic of their office space. And later
14 scheduled a meeting that I could come by and tour
15 and discuss terms of office space agreement. And
16 so that was what we were able to uncover with
17 research.

18 Q. Okay. Thank you. I do remember a
19 schematic of Regis. Thank you --

20 A. Right.

21 Q. -- for the explanation. Would you please
22 turn to Exhibit 37. And, again, it's one of the
23 documents that's got two exhibit numbers because
24 it was attached to something, but please refer to
25 it as Exhibit 37.

1 A. Okay.

2 Q. Have you seen this affidavit before?

3 A. Yes.

4 Q. Is this your affidavit?

5 A. Yes.

6 Q. Did you sign it?

7 A. Yes.

8 Q. Why did you sign this affidavit?

9 A. On the advice of counsel, to clarify the
10 previous affidavit.

11 Q. On Paragraph 3 of this affidavit, the
12 sentence that says "All of the orders identified
13 there, with the exception of sales to Mr. Payne
14 and Mr. Alprin were given to me in person at the
15 customer's home or a public place in Texas."

16 How do you know that information?

17 A. I met, physically, face to face, with
18 each of the customers in Texas.

19 Q. For each order you met --

20 A. Face to face, yes.

21 Q. -- face to face?

22 A. Uh-huh.

23 Q. Thank you.

24 How do you know where you were when you
25 took the calls from Mr. Alprin and Mr. Payne?

1 A. Again, upon reviewing to recall those
2 times when I was in Texas, we did confirm that I
3 was in Texas when those transactions were
4 submitted.

5 Q. You said "we did confirm." Who is "we?"

6 A. Along with counsel in reviewing the
7 transaction dates and my time in Texas.

8 Q. And what records do you have to show that
9 you were in Texas?

10 A. Nothing specific. But, again, we have
11 part of the additional documents. There was
12 additional business done, insurance business, in
13 and around the dates of the transactions of
14 securities.

15 Q. Did you always go to Texas to deal with
16 your Texas insurance clients?

17 A. Usually, yes.

18 Q. What was your yearly income for 2012?

19 A. Oh, I don't know. It wasn't much, but --

20 Q. What was your yearly income for 2013?

21 A. I'm not certain.

22 Q. Did you have annuity sales in 2012?

23 A. Can you be more specific?

24 Q. Do you know how much commission you
25 received from annuity sales -- from insurance

EXHIBIT D

AFFIDAVIT OF DR. CLIFFORD ALPRIN

STATE OF TEXAS)
) ss.
COUNTY OF BEXAR)

The undersigned Affiant, of lawful age, being first duly sworn upon oath deposes and states:

1. I, Clifford Alprin, am a resident of San Antonio, Texas, and have been for a period of more than one year.

2. On or about May 11, 2012, I visited by telephone with Rodney L. Watkins, at which time we discussed, or I inquired about, specific investments which resulted in me placing with Mr. Watkins an order for 1450.512 shares of Transamerica Asset Allo Growth C. It is my understanding and belief that at the time of placing the aforescribed purchase that Mr. Watkins was in Dallas, Texas operating out of his sister's home located there.

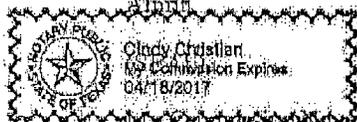
3. On or about August 6, 2012, I visited by telephone with Rodney L. Watkins, at which time we discussed, or I inquired about, specific investments which resulted in me placing with Mr. Watkins an order for 1522.843 shares of Transamerica Asset Allo Growth C. It is my understanding and belief that at the time of placing the aforescribed purchase that Mr. Watkins was in Dallas, Texas operating out of his sister's home located there.

4. Subsequent to the placement of the foregoing described order, I received a confirmation of the purchase of the same.

FURTHER AFFIANT SAYETH NOT.

[Signature]
Affiant

Subscribed and sworn to before me this 7th day of May, 2013, by Dr. Clifford Alprin.



[Signature]
Notary Public

My Commission Expires: N/A
09/18/2017

AFFIDAVIT OF LONNIE LEWIS

STATE OF TEXAS)
) ss.
COUNTY OF TARRANT)

The undersigned Affiant, of lawful age, being first duly sworn upon oath deposes and states:

1. I, Lonnie Lewis, am a resident of Fort Worth, Texas, and have been for a period of more than one year.
2. On or about July 17, 2012, I met with Rodney L. Watkins in Fort Worth, Texas, at which time we discussed, or I inquired about, specific investments which resulted in me placing with Mr. Watkins an order for 1743.281 shares of Columbia Portfolio Bldr Mod Agrsv C.
3. Subsequent to the placement of the foregoing described order, I received a confirmation of the purchase of the same.

FURTHER AFFIANT SAYETH NOT.

Lonnie Lewis

Affiant

Subscribed and sworn to before me this 26 day of April, 2013, by
Lonnie Lewis



Rae Anne Davis

Notary Public

My Commission No.: 01048127-6
My Commission Expires: 4-10-14

AFFIDAVIT OF RONICA WATKINS

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

The undersigned Affiant, of lawful age, being first duly sworn upon oath deposes and states:

1. I, Ronica Watkins, am a resident of Dallas Texas, and have been for a period of more than one year.

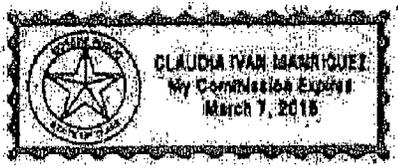
2. On or about August 6, 2012, I met with Rodney L. Watkins in Dallas, Texas, at which time we discussed, or I inquired about, specific investments which resulted in me placing with Mr. Watkins an order for \$4,497 shares of Black Rock Global Allocation Inv C.

3. Subsequent to the placement of the foregoing described order, I received a confirmation of the purchase of the same.

FURTHER AFFIANT SAYETH NOT.

Ronica L. Watkins
Affiant

Subscribed and sworn to before me this 26 day of April, 2013, by Ronica Watkins.



(SEAL)

[Signature]
Notary Public

My Commission No.: March 7, 2016
My Commission Expires: March 7, 2016

AFFIDAVIT OF CAROLYN WILLIAMS

STATE OF TEXAS

COUNTY OF ~~DALLAS~~ }
COLLIN } ss.

The undersigned Affiant, of lawful age, being first duly sworn upon oath deposes and states:

1. I, Carolyn Williams, am a resident of Dallas, Texas, and have been for a period of more than one year.

2. On or about September 19, 2012, I met with Rodney L. Watkins in Dallas, Texas, at which time we discussed, or I inquired about, specific investments for my personal account, which resulted in me placing with Mr. Watkins an order for 822.511 shares of Pimco Total Return C.

3. Subsequent to the placement of the foregoing described order, I received a confirmation of the purchase of the same.

FURTHER AFFIANT SAYETH NOT.

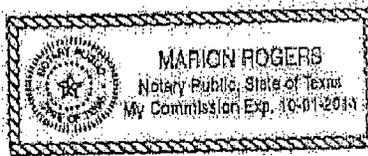
Carolyn Williams
Affiant

Subscribed and sworn to before me this 26th day of APRIL, 2013, by Carolyn Williams.

Marion Rogers
Notary Public

(SEAL)

My Commission No.: 18
My Commission Expires: 10/01/2014



AFFIDAVIT OF CAROLYN WILLIAMS

STATE OF TEXAS

COUNTY OF ~~DALLAS~~
COLLIN

}
} ss.
}

The undersigned Affiant, of lawful age, being first duly sworn upon oath deposes and states:

1. I, Carolyn Williams, am a resident of Dallas, Texas, and have been for a period of more than one year.

2. On or about June 19, 2012, I met with Rodney L. Watkins in Dallas, Texas, at which time we discussed, or I inquired about, specific investments for Troy Shawn Reed, a minor, for whom I am his custodian, which resulted in me placing with Mr. Watkins an order for 442.87 shares of Pimco Total Return C for his account.

3. Subsequent to the placement of the foregoing described order, I received a confirmation of the purchase of the same.

FURTHER AFFIANT SAYETH NOT.

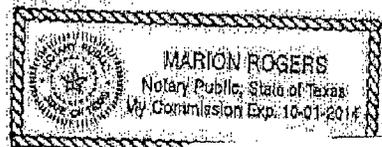
Carolyn Williams
Affiant

Subscribed and sworn to before me this 26th day of APRIL, 2013, by Carolyn Williams.

Marion Rogers
Notary Public

(SEAL)

My Commission No.:
My Commission Expires: 10/1/2014



AFFIDAVIT OF BRENDA WALKER

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

The undersigned Affiant, of lawful age, being first duly sworn upon oath deposes and states:

1. I, Brenda Walker, am a resident of Dallas, Texas, and have been for a period of more than one year.

2. Beginning in June 2012 through September 2012, I met with Rodney L. Watkins on several occasions in Dallas, Texas, at which time we discussed, or I inquired about, specific investments which resulted in me placing with Mr. Watkins orders for certain bonds and an interest in an REIT.

3. Subsequent to the placement of the foregoing orders, I received a confirmation of the purchase of the same.

FURTHER AFFIANT SAYETH NOT.

Brenda Walker
Affiant

Subscribed and sworn to before me this 26 day of April, 2013, by Brenda Walker.

Edina Barber
Notary Public

(SEAL)

My Commission No.: 128148921
My Commission Expires: 1-18-2017

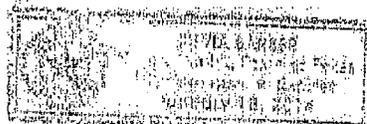


EXHIBIT E

Frank Black
May 14, 2014

In Re: Rodney Watkins vs.
Case No. 12-058

Page 1

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES

IN RE:)
RODNEY LARRY WATKINS, JR.)
ODS FILE NO. 12-058)

DEPOSITION
OF
FRANK H. BLACK

Taken by Oklahoma Department of Securities

Charlotte, North Carolina

May 14, 2014

* * * * *

Reported by: Mary L. Labonte, RPR

1 graduated, I just called, come work for Daddy.

2 I get to look at her all day. We sit
3 in an open office and she is literally closer
4 than from here to that blackboard to me. So all
5 day long, open space, I get to look at my
6 beautiful daughter, walk in the door in the
7 morning and hug on her, buy her lunch every day,
8 get hugs before I leave in the afternoon. If you
9 can beat that deal, please tell me how.

10 Q. What is Craig Ferguson's position at
11 Southeast?

12 A. He's the operations manager, which
13 means that he took over some of the duties that
14 Jeannette was doing. His previous record was he
15 was with Interstate and was office manager down
16 in Rock Hill.

17 Q. What securities license does Craig
18 hold?

19 A. Don't quote me. I know he has a 7 and
20 I'm honestly not sure whether he has a 24.

21 Q. Does he do any compliance duties?

22 A. No.

23 Q. What exactly does the operations
24 manager do?

25 A. Pretty much everything. It's called

1 make sure the office staff is functioning
2 efficiently if you will. He enters orders. He
3 talks to brokers. He sits -- talk about
4 Dominique being less than from here to that
5 blackboard. To my left seven and a half feet,
6 because we measured it, Jeannette used to sit
7 there, is Craig Ferguson. So we're constant
8 contact.

9 And anything I need done, Jeannette now
10 sits on the other side of the wall so I can't --
11 I've got to buzz her on the phone to tell her to
12 do something and it's more convenient to holler
13 at Craig and say, you know, enter this order or I
14 need this or that, give me this record kind of
15 thing. So basically the answer is about
16 everything.

17 Q. What is Amber Carroll's position with
18 Southeast?

19 A. Again I call them -- I don't know what
20 you call them, office assistant, clerk, whatever
21 you want to call them. She does -- again she
22 inputs new account information, she enters
23 orders. If I tell her to do something, she does
24 it.

25 Q. How long has she been with Southeast?

1 date of birth, social security number.

2 They give me permission to print out
3 their CRD. It tells me something about their
4 business, what kinds of business do you do, let's
5 make sure we're a fit, because what we don't do,
6 we don't do oil wells, we don't do lease deals,
7 we don't have any proprietary products we, don't
8 push -- the only time we're going to do a penny
9 stock, if it's on an unsolicited basis. And you
10 can't tell me that two people unsolicited buy --
11 choose to buy a penny stock unless they're
12 related. It's not going to run by me. Okay.

13 So I want to know about them. I want
14 to know their background. I want to look at
15 their CRD, their disciplinary history. If
16 there's something on there, is it serious, you
17 know, who are you, what do you do.

18 Q. Are the agents required to come to
19 North Carolina before --

20 A. No, no.

21 Q. Have you ever turned anyone away for
22 their disciplinary history?

23 A. Absolutely.

24 Q. What would be grounds to turn somebody
25 away based on disciplinary history?

1 A. The one thing I will not put up with in
2 any fashion is somebody just outright mistreating
3 a client. Theft is never going to happen around
4 me. We have never had a penny disappear, my
5 association, ever with a broker dealer period.
6 And that's 43 years. So if there's any question
7 about the real honesty of that person, it's not
8 going to happen. Okay.

9 Q. Are any of the Southeast agents
10 currently on heightened supervision?

11 A. Actually I am. And I'm on heightened
12 supervision because FINRA's view is that every
13 dollar that comes through Southeast Investments,
14 because it comes -- I'm, if you will, the owner.
15 I'm responsible for it. So anything over
16 20 percent, of course, I'm required to be on
17 heightened supervision, which means David Plexico
18 supervises me.

19 Dan Sexton is -- now, just so you know
20 about Dan Sexton real quickly, Dan is living in
21 New York. Dan has no disciplinary history.
22 Okay. Just it's amazing what's on -- what I
23 think is going on with some of the states that
24 have asked that they be put on heightened
25 supervision. He used to travel with these bands.

1 So the Grateful Dead, he travelled with
2 them. When I say travelled with them, he was one
3 of the people off to the side selling medicinal
4 herbs. Okay. Honest to God. You can look at
5 them on his CRD. And every town they'd go
6 through, obviously they suspected this must be
7 marijuana, it must be some kind of drug. They
8 tested. It wasn't. But here's all these arrests
9 and there's this suspicion that somehow he's
10 involved in drugs. And yet every time they
11 tested, it came back, you know, no.

12 And again, look, I don't smoke. I
13 don't drink. I've never done drugs in my life,
14 okay, and I never will. And if I thought
15 somebody had a drug problem, they wouldn't be
16 with Southeast Investments. So he's on
17 heightened supervision because I think California
18 insisted on it. So at the same time, I just
19 think he's no big threat.

20 Now, for what it's worth, the way we
21 supervise, the way I supervise, as far as I'm
22 concerned, everybody is on heightened
23 supervision. And here's what I mean by that
24 statement, every order that's done -- and we
25 don't allow brokers to input orders from their

1 place. Obviously real quickly I need to tell you
2 what Streetscape is because I don't think you
3 know.

4 Merrill Lynch, AG Edwards, I mean,
5 anybody has a computer system where you can go on
6 and view clients' accounts, you can go on and see
7 the bond inventory, you can see who has money.
8 It's what I call the back office of our clearing
9 firm. Our clearing firm is National Financial,
10 wholly-owned subsidiary of Fidelity.

11 So you can go on there and see all this
12 stuff. But we don't allow brokers to transmit
13 orders from their location. I mean nobody. What
14 I want to see is I want to see everything that
15 happens. When you walk in my office -- now,
16 theoretically, my wife owns the building.
17 Practically I own the building.

18 You walk in the door, Dominique's
19 about -- near that blackboard, that's the front
20 door and me. I don't have an office. I'm
21 sitting -- when you walk in the door, you're
22 looking at me. Craig Ferguson is seven and a
23 half feet to my left. Amber Carroll is about ten
24 feet to my right. Kamia is about 20 feet, but
25 just about 10 feet to the right of Dominique. I

1 want to see everything that happens.

2 If somebody wants to talk to me, all
3 they have to do is walk in the door. We don't
4 have voicemail. Okay. You want to talk to Frank
5 Black you just call, we don't have extensions,
6 say, hey, Frank. Everybody else is busy, I'm
7 going to answer the phone. I personally open the
8 mail.

9 Everything that happens in that place I
10 want to see it for one simple reason, you think
11 you're worried about supervision, I'm more
12 worried. And I'm more worried for one simple
13 reason, that's my hip pocket, okay. So I know
14 one thing, a bad broker can take us down, money
15 disappearing can take us down. I'm more
16 concerned than you'll ever be. So as far as I'm
17 concerned, everyone's on heightened supervision.
18 I want to see everything that happens if
19 possible.

20 Q. With Dan Sexton, is there an actual
21 heightened supervision plan?

22 A. There is for California. So we've got
23 him on heightened supervision, we agree to do
24 this and that and file reports and so forth.
25 He's only been with us -- I think he's been

1 registered in California maybe two months at
2 most. He was just telling me he got registered
3 overnight in several other states.

4 Q. How do you determine who should be on
5 heightened supervision?

6 A. Disciplinary history. And the only
7 people we've ever had on heightened supervision
8 obviously is me, a fellow out of Washington state
9 who did over 20 percent of business on his own,
10 and Dan Sexton, and there may have been one or
11 two others. But in general I won't hire someone
12 somebody that I think requires heightened
13 supervision quite frankly.

14 Q. Do you have any customized supervision
15 plans for your agents?

16 A. Customized supervision plans? I don't
17 understand the question.

18 Q. Okay. Do you conduct onsite exams of
19 Southeast agents?

20 A. Yes.

21 Q. How frequently?

22 A. Depends on whether it's a branch,
23 non-branch, OSJ. We don't have any other OSJs so
24 I'd say branch office requirements are every
25 three to six months. And now we've got David

1 Plexico and Jonathan doing branch offices in
2 addition to me.

3 Q. Okay. So there's three individuals
4 that do branch office onsite exams?

5 A. Right.

6 Q. What's the difference between a branch
7 office and a non-branch office?

8 A. Go back to FINRA regs which are pretty
9 doggone specific, you meet with clients, you
10 know, you do over 25 transactions. Again a heck
11 of a lot of our agents -- I'm going to emphasize
12 I don't push production. I really truly don't.
13 I know it sounds kind of funny from somebody in a
14 commission business. I just don't it. I don't
15 believe in it. I don't believe in pressure.

16 So FINRA rule is -- and most of our
17 guys make a living from the insurance business.
18 They're insurance agents. They want the ability,
19 in most cases, to write a variable annuity for
20 example. So if they do less than 25
21 transactions, they're not considered a branch.
22 And they don't advertise to the public and don't
23 meet with the public, so forth.

24 Q. Who makes the decision on whether the
25 office is considered a branch versus a

1 non-branch?

2 A. I do.

3 Q. And how frequently do you do exams of
4 non-branch offices?

5 A. Well, of course according to FINRA
6 rule. It depends on whether I feel like it's
7 required. I've got one guy that does -- I mean,
8 he literally does about -- the good news is he
9 told me up front what he did. Like I say, I'll
10 never have a production requirement. He does
11 \$7,500 a year. But that's what he told me. He's
12 an insurance agent. And I do that one just as I
13 feel the need, which is very infrequently because
14 he puts in so few orders, he's got basically
15 nothing to supervise.

16 And you have to understand the way we
17 operate, everything comes here. So the new
18 account forms end up being opened in this office,
19 the variable annuity paperwork is required to be
20 sent to this office. They can't send it direct
21 to the carrier. The mutual fund paperwork is
22 required to come to my office to be approved and
23 then sent on to the carrier.

24 Q. Do you approve business websites for
25 your agents?

1 A. I do.

2 Q. How do you know if an agent as a
3 business website?

4 A. A couple of ways. Number one, we
5 require them to tell us. In addition, we go on
6 and do a search through Google, Google is a
7 wonderful thing, and look, you know, for this and
8 that. It's one of the things Jonathan does. And
9 if we spot something, we ask why the hell didn't
10 you tell me. Okay. And there'd better be a good
11 excuse.

12 Q. And if the agent has a website that you
13 find that they have not disclosed, will you
14 discipline that agent?

15 A. Absolutely.

16 Q. What would an example of discipline be
17 for that?

18 A. More than likely fire them, okay, or
19 just say look if it happens again, you're out of
20 here, okay, one of the two, pretty strong wording
21 used as called. And the funny part of some of
22 this stuff, I don't understand why. I mean,
23 there's no -- it's if you look at our checklist,
24 you know, they're required every six months or
25 annually at least to certify I have done this, I

1 have done that, for a reason.

2 I want it understood, here's what
3 you're required to do, now, if you don't do it, I
4 want to understand why not. And there's no
5 consequences for preparing a website. All that's
6 got to happen is it's got to be approved, just
7 tell me about it.

8 Q. What is required to be on the clients'
9 business website?

10 A. Well, of course it's got to say
11 securities offered through Southeast Investments,
12 OSJ me or the office address, 820 Tyvola Road and
13 so forth. And obviously there can't be any
14 inflammatory statements, you know. I'm looking
15 for is it what I call a normal, approved website.
16 You know, don't give me crap, don't make
17 promises.

18 Q. How frequently do you check Google or
19 does Jonathan check Google to find the websites?

20 A. We have set up I said, look, here's how
21 many brokers we have, just on a rotating basis go
22 through and check names. We prohibit them from
23 using all these -- I don't even know what Twitter
24 is. I mean, I know the name, I know it's a
25 stock. I've never bought the stock. I honestly

1 don't know what it is. But, you know, one of the
2 things they sign off is I won't use that. It's
3 part of our policy, you won't use Twitter and
4 whatever these other things are to communicate
5 with clients regarding securities.

6 Q. We may have discussed this, but
7 Jonathan, he has a series 24?

8 A. He does. He has a 7 and 24.

9 Q. And what is his title with the company?

10 A. Well, he's my son. I don't even know
11 what his title is. Chief son I guess.

12 Q. Okay.

13 A. And he's got some title, but titles
14 don't mean anything to me. It's just --

15 Q. Does he have any ownership in
16 Southeast?

17 A. He doesn't yet. If I get run over,
18 it's his. In the meantime, it's mine.

19 Q. Talk about the order process when --
20 what client documents are required to open a new
21 account?

22 A. Well, depends on what kind of account
23 obviously, but if we're talking about a
24 regular -- again our clearing firm is National
25 Financial. So what I would regard as a regular

1 Q. Can they see their new account
2 information?

3 A. I'm honestly not sure. I've never
4 logged in as a client.

5 Q. As a matter of fact, to clarify my last
6 question when I said can they see, can the client
7 see their new account?

8 A. Well, the point is, in the meantime,
9 they've seen it because they got a printed copy
10 of it. And just so you know, any changes of
11 address have to be in writing, signed by the
12 client. A broker can't call in and say change
13 the client's address, change the name, do
14 anything. It's got to be signed by the client.
15 They're going to get a copy from -- they're going
16 to get a letter from National Financial that says
17 we have a new account or change of address, they
18 send it to the old address and the new address,
19 if there's anything wrong with this, please let
20 us know. They issue all checks. We don't issue
21 checks out of the Charlotte office.

22 Q. What documents are required to place an
23 order?

24 A. What documents are required? A broker
25 calls in and says, I want to buy 100 shares of

1 General Motors. So we've got to have who's the
2 client, what is the account number, what's the
3 commission, solicited unsolicited, shares, price
4 you want it executed at, just regular fill out an
5 account form -- or I'm sorry, an order form.

6 Q. Does the broker fill out the order
7 form?

8 A. No. We fill it out.

9 Q. Is there a different process for
10 different types of products? For example a
11 mutual fund versus a stock, is there a different
12 process to complete an order?

13 A. There's a different form.

14 Q. And --

15 A. There's a mutual fund form -- and not
16 to confuse you, but -- so there's a mutual fund
17 order, there's a stock form. And I say stocks,
18 it covers stocks, options, preferred stocks, I
19 mean everything but a mutual fund. But that's
20 separate from a variable annuity or an away
21 business. So those literally come to us in
22 writing with a new account form. Okay.

23 So a broker wants to buy a variable
24 annuity, here's the new account form, here's the
25 disclosure form, here's the filled-out form from

1 the variable annuity company.

2 Q. Were brokers ever -- brokers agents of
3 Southeast ever required to complete mutual fund
4 order tickets?

5 A. Required? They can do it if they want
6 to. The point is we're required to have records,
7 they're required to have records. And the rule
8 basically says you have to have access to the
9 records. If they need a copy of anything, we can
10 maintain them. So I say you're free to keep
11 them, but are you required to keep them? No.

12 Q. So it is possible that an order ticket
13 could be completed by the agent and not
14 Southeast?

15 A. The way you're asking the question, the
16 implication is that he can complete an order
17 ticket and we haven't. We -- he may complete an
18 order ticket, but we are definitely going to
19 complete an order ticket.

20 Q. Okay. If a broker, an agent, fills out
21 an order ticket and sends it to Southeast, do you
22 accept that order ticket or do you copy the
23 information and complete your own order ticket at
24 that point?

25 A. We complete our own order ticket.

1 That's what I'm trying to say to you. You know,
2 we take the orders, we fill them out.

3 Q. Is there a suitability check when the
4 order is placed?

5 A. I'd say suitability occurs every day.
6 It's called I review the orders, I know who the
7 clients are in general, I go on Streetscape and
8 see what the suitability is.

9 Q. So for each order, do you go to
10 Streetscape to check suitability?

11 A. No. You know better than that.

12 Q. How do you reflect your review of the
13 order tickets?

14 A. Initial them, initial the blotter.

15 Q. You initial the blotter?

16 A. Yeah.

17 Q. Is the blotter initialled each day?

18 A. It is.

19 Q. Who creates the trade blotter?

20 A. In general, operations manager.
21 Jeannette did do it. I think now Craig does it.

22 Q. Are you the only one that would review
23 the trade blotter?

24 A. Well, again, I want every eye we can
25 get on it so they've looked at it and now the

1 final approval is mine.

2 Q. Your initials would be the only one on
3 the trade blotter?

4 A. Yeah, yeah, sure. And I say that, you
5 know, if I'm absent, obviously David Plexico can
6 do it in my absence. By the way, he is a
7 partner. He's got five percent supposedly.

8 Q. Is an agent ever required to confirm
9 that an order was placed?

10 A. Is an agent ever required? I don't
11 understand the question.

12 Q. If an agent calls in an order that day,
13 the order ticket is completed by Southeast, the
14 order is approved, does the agent have to follow
15 up on that order to make sure it was completed?

16 A. Does -- I honestly don't understand the
17 question. Now, if you're using Streetscape, they
18 can go online to see the order's been completed.
19 You know, it used to be you called all the agents
20 back and said we executed the order. Now you got
21 computers and you've got access to them, just got
22 to go on there and, you know, see that it's been
23 done.

24 Q. Is the agent required to go onto
25 Streetscape and see that the orders been placed?

1 A. They're sitting in an office or
2 wherever, and I say look if you don't, dummy,
3 you're stupid because if an error occurs, it's
4 your error, okay, if you told us the wrong amount
5 or whatever. So if you're smart, what you're
6 going to do is go on there and make darn sure
7 that if you asked us to buy 100 shares of General
8 Motors, we bought 100 shares of General Motors
9 because if by accident you told us to sell it,
10 ultimately you're going to be responsible. If
11 it's our error, we're going to take it; but if
12 it's his error, guess what, he's going to take
13 it.

14 Q. Who at the Southeast main office
15 reviews agent correspondence?

16 A. I do.

17 Q. What is reviewed?

18 A. What -- did you ask what is reviewed?

19 Q. Yes.

20 A. Letters, faxes, e-mails, anything
21 correspondence.

22 Q. How frequently do you review it?

23 A. Obviously -- by the way, one of the
24 things I do is personally open the mail so if
25 there's ever a complaint, I see it right now. If

1 sorry, Pat. Thank you.

2 Q. May 6th. I'm sorry. Lamar's address
3 was changed to the Watkins and Associates address
4 on May 6, 2014. Why was that changed at that
5 time?

6 A. He had to have advised us he wanted to
7 change it or else he would have been -- what the
8 word -- same sense you asked me what I had for
9 lunch two weeks ago, I don't know. I just know
10 we follow the procedures and people notify us and
11 we find out and we do what we're required to do.

12 Q. Did you perform an annual compliance
13 interview with Lamar Guillory in 2012?

14 A. An annual compliance interview? Yes.

15 Q. In 2013?

16 A. I had to have, yes.

17 Q. Do you recall what was discussed during
18 those interviews?

19 A. Not specifically. I have a regular
20 checklist. I call brokers and say let's go over
21 these items, have a discussion.

22 Q. Is the broker required to complete a
23 checklist on their own for the compliance
24 interview?

25 A. No. You can do a compliance interview

1 by phone, video, in-person.

2 Q. So you have a documentation to show
3 that you completed those compliance interviews --

4 A. Of course.

5 Q. -- with Lamar? Did you do compliance
6 interviews for Rodney Watkins in 2012?

7 A. I would have had to, sure.

8 Q. And in 2013?

9 A. Yes.

10 Q. I would like copies of those compliance
11 interview notes for 2012 and 2013 for both Lamar
12 and Rodney.

13 MR. SHAW: And, Pat, I'll follow up
14 with an e-mail if that is helpful.

15 Q. What articles do you send out during
16 the year to your agents?

17 A. What articles do I send out? When you
18 say articles, obviously we sent out the
19 compliance checklist I mentioned numerous times.
20 We have a firm element, which consists of things
21 that jump out at me. You know, I'll see where
22 somebody got gigged for a compliance violation or
23 some new regulation FINRA's come out with or some
24 scam's going on or something that I think needs
25 bringing to the attention of a broker, I'll send

EXHIBIT F

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

In the Matter of:

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

Respondents.

ODS File No. 12-058

AFFIDAVIT OF FRANK H. BLACK

STATE OF NORTH CAROLINA)
) SS
COUNTY OF Mecklenburg)

Frank H. Black ("Affiant"), of lawful age and being first duly sworn, deposes and states as follows:

1. I am the president and principal shareholder of Southeast Investments, N.C. Inc. ("Southeast"). I founded Southeast on July 1, 1997.
2. Southeast is a FINRA member firm. It is regularly examined by the Financial Industry Regulatory Authority, commonly known as "FINRA" (and by its predecessor, the National Association of Securities Dealers), and by the Securities & Exchange Commission ("SEC"). Each of those regulatory organizations regularly sends examiners to the Southeast home office.
3. Southeast is on a two-year inspection cycle with FINRA and has been since Southeast began business on July 1, 1997. Hence Southeast has been subjected to nine FINRA

inspections including a 2014 inspection. During the same time period, the SEC has inspected Southeast four times.

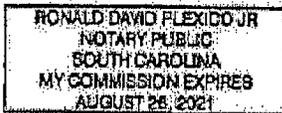
4. No NASD, FINRA, or SEC inspection has ever resulted in any sanction of Southeast of any kind.

5. Southeast, in the seventeen years of its existence, has never had a valid customer complaint lodged against the firm.

Further Affiant saith not.


Frank H. Black

SUBSCRIBED and SWORN to before me this 4th day of August, 2014.




Notary Public

My commission expires: 8-26-2021



EXHIBIT F-1

North Carolina. This degree of vigilance exceeds that which FINRA rules, as I read them, require.

3. I require that all Southeast agents send all emails that relate to securities transactions to me for review. I save those emails electronically after first printing them and then I review each one, rather than merely sampling the emails. Again I believe that this practice is stricter than FINRA rules require.

Further Affiant saith not.

Frank H. Black
Frank H. Black

SUBSCRIBED and SWORN to before me this 29th day of August, 2014.

R. David Plexico Jr.
Notary Public

My commission expires:

8-26-2021
[SEAL]

RONALD DAVID PLEXICO JR
NOTARY PUBLIC
SOUTH CAROLINA
MY COMMISSION EXPIRES
AUGUST 26, 2021



EXHIBIT G

**E-MAIL AND ELECTRONIC
COMMUNICATIONS
ACKNOWLEDGEMENT FORM**

In accordance with the FINRA Rule 3010 and the supervisory procedures set forth by Southeast Investments, N.C., Inc., I Laura Guilford hereby agree to have approved all securities related correspondence both written and electronic (e-mail, website, etc.) with my OSJ Principal. In addition, I agree to have all incoming communications from my customers either written or electronic (e-mail, website, etc.) submitted to my OSJ for review.

I will "carbon copy" (CC) my OSJ on all securities related e-mail correspondence sent to my clients. I will also CC by forwarding to my OSJ Principal copies of all securities related e-mails received by me from clients. These e-mails will be CC to Jeanette Roberts and Frank Black.

Laura Guilford
Registered Representative

4-12-12
DATE

Frank Black
OSJ Principal

4/20/12
DATE

E-MAIL AND ELECTRONIC
COMMUNICATIONS
ACKNOWLEDGEMENT FORM

In accordance with the FINRA Rule 3010 and the supervisory procedures set forth by Southeast Investments, N.C., Inc., I Rodney W. Jackson, hereby agree to have approved all securities related correspondence both written and electronic (e-mail, website, etc.) with my OSJ Principal. In addition, I agree to have all incoming communications from my customers either written or electronic (e-mail, website, etc.) submitted to my OSJ for review.

I will "carbon copy" (CC) my OSJ on all securities related e-mail correspondence sent to my clients. I will also CC by forwarding to my OSJ Principal copies of all securities related e-mails received by me from clients. These e-mails will be CC to Jeanette Roberts and Frank Black.

 2/20/12
Registered Representative DATE

 2-23-12
OSJ Principal DATE

EXHIBIT H

Guillory

**2013 BI-ANNUAL CERTIFICATION OF REPRESENTATIVE'S
DECLARATION TO SUPERVISORY OFFICE**

Please **INITIAL** each item and **SIGN** on reverse side **AFTER
READING EACH STATEMENT CAREFULLY.**

I certify in the past year that I have followed the following regulatory requirements of Southeast Investments, N.C., Inc, State and Federal Regulatory Authorities, and FINRA:

**I UNDERSTAND THAT FAILURE TO FOLLOW THESE REQUIREMENTS MAY RESULT IN FINES,
SANCTIONS, OR IMMEDIATE TERMINATION OF MY REGISTRATION.**

- I did not prepare mail or otherwise provide confirmations and/or statements to customers or other broker/dealers.
- All advertising and sales literature, including any published material, form letters, newsletters or general mailing in which the Company's name appears or which makes mention or reference in any way to securities was sent to the OSJ for review, approval and maintenance prior to use. This included any newsletters sent to clients or prospects.
- TV and Radio appearances are considered communications by FINRA and require notification to Southeast Investments, N.C., Inc. COO prior to appearances for approval. I certify I have NOT appeared on TV or Radio without notifying the COO of Southeast Investments, N.C., Inc. of these appearances.
- I have sent a copy of any materials to be used in seminars or speaking engagements I have conducted to the main office of Southeast Investments, N.C., Inc. for approval prior to use. This includes but is not limited to advertisements, mailers, seminar scripts, slides, handouts, or video presentations. I have also sent a list of all attendees at any seminars I have held to Southeast Investments, N.C., Inc. main office for the seminar file as required by FINRA rules.
- All correspondence with the Company's customer accounts including written or electronic means (including e-mails) was sent to the OSJ for review, approval and record keeping maintenance. I did not use any chat rooms, instant messages, blogs, message boards or on-line communications of any form to tout or recommend securities. I UNDERSTAND THE USE OF CHAT ROOMS, INSTANT MESSAGES, BLOGS, MESSAGE BOARDS OR ANY FORM OF ON-LINE COMMUNICATIONS TO TOUT OR RECOMMEND SECURITIES IS STRICTLY PROHIBITED BY SOUTHEAST INVESTMENTS POLICY. Any e-mails or communications of any kind involving securities have been sent to the home office for approval prior to use.
- All mutual fund and annuity applications (including variable, fixed index and equity index) have been sent and will be sent to the OSJ for processing and approval by the OSJ prior to submission to the mutual fund or annuity carrier.
- I notified the OSJ or the Company's Supervisory Principal of any customer complaint within 24 hours of receipt of such complaint.
- I have not given any client tax or legal advice (unless you are a CPA or lawyer) without telling them to seek advice from their accountant or attorney.
- I represent that there are no events that have occurred since the filing of my U-4 or any subsequent amendment (which) have notified SE of that would require my previously reported answers on my U-4 to be amended. I understand that should any event occur that would require amending my U-4, I will promptly notify Southeast Investments, N.C., Inc. and my U-4. These events include but are not limited to customer complaints, regulatory complaint or proceeding, change of address of home or business, liens, court actions, arrests, warrants, bankruptcy and outside business activities. I will promptly request a copy of the amendment once it is filed to verify the correctness of the amendment. I understand that FINRA will impose a fine which I will pay should my filing of the above information not be promptly submitted to the Home Office for filing with FINRA.

I have made it clear to all customers that all my securities transactions are through Southeast Investments, N.C. Inc. If I have a non-securities business such as insurance, I have clearly informed all clients that the associated business is not owned by nor affiliated with Southeast Investments. If I am using a business card for the non-securities business, I have clearly stated this information on the business card.

I have advised my clients that all non-security transactions are not through Southeast Investments but are through my own or other companies which are not affiliated with and are not owned by Southeast Investments.

I have not offered nor sold any securities or investments of any kind except those offered and approved by Southeast Investments, N.C. Inc. I have not introduced anyone to someone seeking to raise money or arrange a loan in a business I own, my friends own, or anyone else without first discussing it with Southeast Investments' Chief Compliance Officer and receiving permission in writing.

I am familiar with regulatory requirements regarding insider trading. I have not received information from any company insider regarding company events which I have used to effectuate trades for the benefit of myself or others.

I have not spoken with nor received any communications from State or Federal Regulatory Authorities without first notifying the Compliance Department of Southeast Investments. Any written communication from regulatory authorities have been and will be promptly (within 24 hours) sent to the Compliance Department of Southeast Investments. Should you receive a call from a State or Federal Regulator or an attorney, simply refer them to the Main Office Compliance Department.

I am familiar with the regulatory requirements regarding the privacy of client financial information (Regulation S-P) and have not divulged information regarding my client to any unauthorized persons. I have taken steps to safeguard the privacy of client records and information.

I have reviewed Section VI of the Written Supervisory Procedures for Southeast Investments regarding Employee Conduct and Activities.

I have not engaged in any outside business activities without first notifying and having the activity or investment approved by Southeast Investments, i.e., I have not sold away.

I have not engaged in any outside business activities involving private securities business with a representative or another broker/dealer nor have I shared in any profit or loss with a customer. I have not settled any errors or losses directly with clients. I have not rebated any commissions to clients.

I have not guaranteed profits nor guaranteed against loss in a client's account.

I have not offered a money back guarantee of loss or commissions charged. I understand this is against FINRA, SEC, Exchange and Southeast Investments rules to say such things and I have not.

I do not share or have an interest in a client's account.

I have informed the OSJ or Supervisory Principal in writing of all outside business activity for which I receive compensation, directly or indirectly. I have listed on Attachment A all outside businesses or activities in which I am engaged.

Other than commissions received through Southeast Investments, I have not received directly or indirectly anything that might be considered compensation from a sponsor or wholesaler of an investment product. Any seminars or meetings for which the sponsoring organization paid over \$100.00 for me to attend has been pre-approved by Southeast Investments, N.C. Inc.

I have neither borrowed from nor loaned to clients any moneys. I understand FINRA and Southeast Investments rules prohibit receiving any kind of performance based gift or bonus from a client. I also understand rules prohibit giving gifts or theories to clients or rebating commissions. I understand this is strictly prohibited by FINRA and Southeast Investments, N.C. Inc. rules.

I have access to a copy of the firm's Written Supervisory Procedures which were emailed to me.

- I have reviewed the firm's Written Supervisory Procedures and agree to abide by them.
- I have reviewed the Anti-Money Laundering Procedures in Southeast Investments' Written Supervisory Procedures.
- I have not bought or sold for my own account a private placement such as an oil and gas deal without notifying Southeast Investments.
- I understand Southeast Investments' rules prohibit me or members of my family having accounts at other broker-dealers unless given written approval. This affirms I have followed that rule.
- I have not received a check or checks from a client made payable to my name or my business name associated with me. All checks are made payable to National Financial Securities or the appropriate mutual fund or insurance carrier. I understand it is **STRICTLY PROHIBITED** to deposit client checks in my account or any account I control.
- I have not raised money for any investment offered by anyone including myself not offered through Southeast Investments.
- I understand that it is a violation of FINRA regulations to share in the profit or loss with a client. I have not shared in the profit or loss with a client.
- I have not deposited check from a client to an account under my control. I understand it is a violation of FINRA rules even if I temporarily deposit it and write a check for the exact same amount to the intended recipient.
- If I have no FIA, I have best duplicate credentials and statements to Southeast Investments for review of notified Southeast Investments of how to access my client accounts in accordance with FINRA Notice To Members 04-44 and FINRA Rule 3040 which prohibits securities transactions by associated persons without written prior approval. I have printed and read FINRA Notice to Members 04-44 and FINRA Rule 3040.
- I have not sold nor have I participated in life settlements. I understand FINRA has issued two notices Regulatory Notice 09-42 and NTM 09-39 prohibiting broker-dealers or their registered representatives from entering life settlement business prior to approval by FINRA.
- I have reviewed the Telemarketing Procedures in Southeast Investments' Written Supervisory Procedures including the rules regarding cold calling and the use of scripts. I have followed the regulations of the firm and of regulators regarding these.
- I am aware of the provisions of the Telephone Consumer Protection Act of 1991 including the DO NOT CALL List. I have read and have added by the firm's rule regarding telemarketing as delineated in the Written Supervisory Procedures.
- I am aware that all materials on my website (I have one) have to be approved prior to adding it to my website. I have not added any material to my website without prior approval.
- I understand that all orders are to be called in. Any faxed or e-mail orders that are not confirmed with a phone call and result in an error will be charged to me.
- I am aware of Mutual Fund Rights of Accumulation and Letters of Intent. I have NOT sold Mutual Funds to clients without first reviewing amounts offered to take advantage of Rights of Accumulation and Letters of Intent.
- This certifies that I have received a copy of the Southeast Investments Code of Ethics.
- I do not use email to communicate with clients regarding securities. If I do, I have copied Southeast Investments on all emails regarding securities.

I have not signed a client's name to any document.

I certify to the above this 12 day of Dec, 2013.

[Signature]
Registered Representative Signature

James Sullivan
Registered Representative Printed Name

Reviewed by [Signature]
Firm Supervisory Principal

DATE 12-3-13

ATTACHMENT A

Annual Certification of Outside Business Affiliations

FINRA Rule 3010 requires that firms maintain registration information including outside business affiliations, on Form U-1 and U-5, and Form BD. Failing to properly update records is a frequent finding during FINRA exams.

Please list any and ALL outside business activities in which you are engaged, even if they have previously been disclosed.

I certify that I am not engaged in any activity involving the offer or sale of Variable Life Settlements, pay phone or ATM sales, or promissory notes. I understand that should I be approached to offer any investment, I am required to notify the CCO of Southeast Investments and obtain approval.

If you have engaged in a new outside business activity in the last 12 months:

1. Have you been engaged for this business?

2. What is the name of the company used for the outside business activity?

3. What is your position or title?

4. Is the business structure a corporation, LLC, partnership or a sole proprietorship?

5. How much time do you devote each week to the outside business?

6. Are there other registered reps. associated with this firm or not, affiliated with this business?

7. Are you subject to any formal or informal agreement or arrangement requiring you to turn over or share your securities commissions?

Thomas G. Sullivan
Print Name
Thomas G. Sullivan
Signature
Reviewed by Thomas G. Sullivan OSI

10/30/13
Date
Date 10/30/13

EXHIBIT I

WATKINS

**2014 BI-ANNUAL CERTIFICATION OF REPRESENTATIVE'S
DECLARATION TO SUPERVISORY OFFICE**

**Please INITIAL each item and SIGN on reverse side AFTER
READING EACH STATEMENT CAREFULLY.**

I certify in the past year that I have followed the following regulatory requirements of Southeast Investments, N.C., Inc, State and Federal Regulatory Authorities, and FINRA.

**I UNDERSTAND THAT FAILURE TO FOLLOW THESE REQUIREMENTS MAY RESULT IN FINES,
SANCTIONS, OR IMMEDIATE TERMINATION OF MY REGISTRATION.**

RW I did not prepare mail or otherwise provide confirmations and/or statements to customers or other broker/dealers.

RW All advertising and sales literature, including any published material, form letters, newsletters or general mailing in which the Company's name appears or which makes mention or reference in any way to securities was sent to the OSJ for review, approval, and maintenance prior to use. This included any newsletters sent to clients or prospects.

RW TV and Radio appearances are considered communications by FINRA and require notification to Southeast Investments, N.C. Inc CCO prior to appearance for approval. I certify I have NOT appeared on TV or radio without notifying the CCO of Southeast Investments, N.C. Inc of these appearances.

RW I have sent a copy of any materials to be used in seminars or speaking engagements I have conducted to the main office of Southeast Investments, N.C. Inc for approval prior to use. This includes but is not limited to advertisements, mailers, seminar scripts, slides, handouts, or video presentations. I have also sent a list of all attendees at any seminars I have held to Southeast Investments, N.C. Inc main office for the seminar file as required by FINRA rules.

RW All correspondence with the Company's customer accounts including written or electronic means (including e-mails) was sent to the OSJ for review, approval and record keeping maintenance. I did not use any chat rooms, instant messages, blogs, message boards or on-line communications of any form to tout or recommend securities. **I UNDERSTAND THE USE OF CHAT ROOMS, INSTANT MESSAGES, BLOGS, MESSAGE BOARDS OR ANY FORM OF ON-LINE COMMUNICATIONS TO TOUT OR RECOMMEND SECURITIES IS STRICTLY PROHIBITED BY SOUTHEAST INVESTMENTS POLICY.** Any e-mails or communications of any kind involving securities have been sent to the home office for approval prior to use.

RW All mutual fund and annuity applications (including variable, fixed index and equity index) **have been sent and will be sent** to the OSJ for processing and approval by the OSJ prior to submission to the mutual fund or annuity carrier.

RW notified the OSJ or the Company's Supervisory Principal of any customer complaint within 24 hours of receipt of such complaint.

RW I have not given any client tax or legal advice (unless you are a CPA or lawyer) without telling them to seek advice from their accountant or attorney.

RW I represent that there are no events that have occurred since the filing of my U-4 or any subsequent amendment which I have notified SE of that would require my previously reported answers on my U-4 to be amended. I understand that should any event occur that would require amending my U-4, I will promptly notify Southeast Investments to amend my U-4. These events include but are not limited to customer complaints, regulatory complaint or proceeding, change of address of home or business, liens, court actions, arrests, warrants, bankruptcy and outside business activities. I will promptly request a copy of the amendment once it is filed to verify the correctness of the amendment. **I understand that FINRA will**

impose a fine which I will pay should my filing of the above information not be promptly submitted to the Home Office for filing with FINRA.

PW I have made it clear to all customers that all my securities transactions are through Southeast Investments, N.C. Inc. If I have a non-securities business such as insurance, I have clearly informed all clients that this associated business is not owned by nor affiliated with Southeast Investments. If I am using a business card for the non-securities business, I have clearly stated this information on the business card.

PW I have advised my clients that all non-security transactions are not through Southeast Investments but are through my own or other companies which are not affiliated with and are not owned by Southeast Investments.

PW I have not offered nor sold any securities or investments of any kind except those offered and approved by Southeast Investments, N.C. Inc. I have not introduced anyone to someone seeking to raise money or arrange a loan in a business I own, my friends own, or anyone owns without first discussing it with Southeast Investments' Chief Compliance Officer and receiving permission in writing.

PW I am familiar with regulatory requirements regarding insider trading. I have not received information from any company insider regarding company events which I have used to effectuate trades for the benefit of myself or others.

PW I have not spoken with nor received any communications from State or Federal Regulatory Authorities without first notifying the Compliance Department of Southeast Investments. Any written communication from regulatory authorities have been and will be promptly (within 24 hours) sent to the Compliance Department of Southeast Investments. Should you receive a call from a State or Federal Regulator or an attorney, simply refer them to the Main Office Compliance Department.

PW I am familiar with the regulatory requirements regarding the privacy of client financial information (Regulation S-P) and have not divulged information regarding any client to any unauthorized persons. I have taken steps to safeguard the privacy of client's records and information.

PW I have reviewed Section VI of the Written Supervisory Procedures for Southeast Investments regarding Employee Conduct and Activities

PW I have not engaged in any outside business activities without first notifying and having the activity or investment approved by Southeast Investments, i.e., I have not sold away.

PW I have not engaged in any outside business activities involving private securities business with a representative or another broker/dealer nor have I shared in any profit or loss with a customer. I have not settled any errors or losses directly with clients. I have not rebated any commissions to clients.

PW I have not guaranteed profits nor guaranteed against loss in a client's account.

PW I have not offered a money back guarantee of fees or commissions charged. I understand this is against FINRA, SEC, exchange and Southeast Investment rules to say such things and I have not.

PW I do not share or have an interest in a client's account.

PW I have informed the OSJ or Supervisory Principal in writing of all outside business activity for which I receive compensation, directly or indirectly. I have listed on Attachment A all outside businesses or activities in which I am engaged.

PW Other than commissions received through Southeast Investments, I have not received directly or indirectly anything that might be considered compensation from a sponsor or wholesaler of an investment product. Any seminars or meetings for which the sponsoring organization paid over \$100.00 for me to attend has been pre-approved by Southeast Investments, N.C. Inc

PW I have neither borrowed from nor loaned to clients any monies. I understand FINRA and Southeast Investments rules prohibit receiving any kind of performance based gift or bonus from a client. I also understand rules prohibit giving gifts or monies to clients or rebating commissions. I understand this

is strictly prohibited by FINRA and Southeast Investments, N.C., Inc. rules.

RW I have access to a copy of the firm's Written Supervisory Procedures which have been provided to me.

RW I have reviewed the firm's Written Supervisory Procedures and agree to abide by them.

RW I have reviewed the Anti-Money Laundering Procedures in Southeast Investments Written Supervisory Procedures.

RW I have not bought or sold for my own account a private placement such as an oil and gas deal without notifying Southeast Investments.

RW I understand Southeast Investments' rules prohibit me or members of my family having accounts at other broker dealers unless given written approval. This affirms I have followed that rule.

RW I have not received a check or checks from a client made payable to my name or any business name associated with me. All checks are made payable to National Financial Securities or the appropriate mutual fund or insurance carrier. I understand it is STRICTLY PROHIBITED to deposit client checks in my account or any account I control.

RW I have not raised money for any investment offered by anyone including myself not offered through Southeast Investments.

RW I understand that it is a violation of FINRA regulations to share in the profit or loss with a client. I have not shared in the profit or loss with a client.

RW I have not deposited check from a client to an account under my control. I understand it is a violation of FINRA rules even if I temporarily deposit it and write a check for the exact same amount to the intended recipient.

RW If I have an RIA, I have sent duplicate confirms and statements to Southeast Investments for review or notified Southeast Investments of how to access RIA client accounts in accordance with FINRA Notice To Members 94-44 and FINRA Rule 3040 which prohibits securities transactions by associated persons without written prior approval. I have printed and read FINRA Notice to Members 94-44 and FINRA Rule 3040.

RW I have not sold nor have I participated in life settlements. I understand FINRA has issued two notices Regulatory Notice 09-42 and NTM 08-38 prohibiting broker/dealers or their registered representatives from entering life settlement business prior to approval by FINRA.

RW I have reviewed the Telemarketing Procedures in Southeast Investments Written Supervisory Procedures including the rules regarding cold calling and the use of scripts. I have followed the regulations of the firm and of regulators regarding these.

RW I am aware of the provisions of the Telephone Consumer Protection Act of 1991 including the DO NOT CALL List. I have read and have abided by the firm's rule regarding telemarketing as delineated in the Written Supervisory Procedures.

RW I am aware that all materials on my website (if I have one) have to be approved prior to adding it to my website. I have not added any material to my website without prior approval.

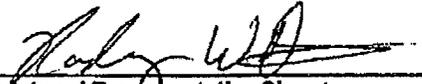
RW I understand that all orders are to be called in. Any faxed or e-mail orders that are not confirmed with a phone call and result in an error will be charged to me.

RW I am aware of Mutual Fund Rights of Accumulation and Letters of Intent. I have NOT sold Mutual Funds to clients without first reviewing amounts owned to take advantage of Rights of Accumulation and Letters of Intent.

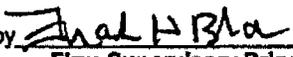
PW If I use email to communicate with clients regarding securities, I have copied Southeast Investments on all such emails.

PW I have not signed a client's name to any document.

I certify to the above this 17th day of June, 2014.


Registered Representative Signature

Rodney Watkins
Registered Representative Printed Name

Reviewed by 
Firm Supervisory Principal

DATE 7-31-14

ATTACHMENT A

Annual Certification of Outside Business Affiliations

FINRA Rule 3030 requires that firms maintain registration information, including outside business affiliations, on forms U4 and U5, and form BD. Failing to properly update records is a frequent finding during FINRA exams.

Please list any and ALL outside business activities in which you are engaged, even if they have previously been disclosed.

SOM Unltd - Rental Property
Watkins & Assoc. Acctg/Tax Service
Watkins & Assoc. Financial Svc. - Insurance
Watkins & Assoc. Investment Svc. - RIA

I certify that I am not engaged in any activity involving the offer or sale of Viatical or life settlements, pay phone or ATM sales, or promissory notes. I understand that should I be approached to offer any investment, I am required to notify the CCO of Southeast Investments and obtain approval.

If you have engaged in a new outside business activity in the last 12 months:

- 1. How are you compensated for this business? N/A
- 2. What is the name of the company used for the outside business activity? N/A
- 3. What is your position or title? N/A
- 4. Is the business structure a corporation, LLC, partnership or a sole proprietor operation? N/A
- 5. How much time do you devote each week to the outside business? N/A
- 6. Are there other registered reps, associated with this firm or not, affiliated with this business? N/A
- 7. Are you subject to any formal or informal agreement or arrangement requiring you to turn over or share your securities commissions? N/A

Rodney Watkins
Print Name

[Signature]
Signature

6/17/14
Date

Reviewed by [Signature] OSJ
06/17/2014 5

Date 7-31-14

ATTACHMENT B

Please **INITIAL one** of the following:

RU I DO have a website.

www.watkinsandassoc.com

WEBSITE ADDRESS

____ I do NOT have a website.

Please **INITIAL one** of the following:

____ I DO use email to correspond with clients. I copy Southeast Investments, N.C. Inc. on all emails regarding securities.

RU I do NOT use email to correspond with clients.

Rodney Watkins
Print Name

[Signature]
Signature

6-17-14
Date

Reviewed by Fred HRH
OSJ

7-31-14
Date