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

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

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

Respondents.

Order No. S-03-177-04-SC01

STATEMENT OF CHARGES AND NOTICE OF
INTENT TO ENTER AN ORDER TO CEASE
AND DESIST, DENY REGISTRATIONS,
IMPOSE FINES, AND CHARGE COSTS

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THE STATE OF WASHINGTON TO:

Richard MacDuff, CRD #4306223
Peak Olympic Financial, Inc.
Olympic Income Group Limited Partnership

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STATEMENT OF CHARGES

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Please take notice that the Securities Administrator of the State of Washington has reason to believe that the Respondents, Richard MacDuff, Peak Olympic Financial, Inc., and Olympic Income Group Limited Partnership, have each violated the Securities Act of Washington. The Securities Administrator believes that those violations justify the entry of an order pursuant to RCW 21.20.390 to cease and desist from such violations, and under 21.20.110 to deny registration as a broker-dealer, securities salesperson, investment adviser, or investment adviser representative. The Securities Administrator further believes those violations justify the entry of an order imposing fines pursuant to RCW 21.20.395 and charging costs pursuant to RCW 21.20.390(5). The Securities Administrator finds as follows:

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STATEMENT OF CHARGES AND NOTICE OF INTENT
TO ENTER AN ORDER TO CEASE AND DESIST, DENY
REGISTRATIONS, IMPOSE FINES, AND CHARGE COSTS

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

1 **TENTATIVE FINDINGS OF FACT**

2 **I. Procedural History**

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

9 **II. Respondents**

10 2. Richard MacDuff (“MacDuff”), a resident of Bremerton, Washington, was a registered
11 securities salesperson in the State of Washington from December 2000 through December 2003.
12 MacDuff was a registered investment adviser representative from January 29, 2003 to December 31,
13 2003. From October 23, 2000 through February 11, 2002, MacDuff was employed by RBC Dain
14 Rauscher Inc. MacDuff was discharged from RBC Dain Rauscher Inc. for a failure to comply with
15 company policies relating to the use of a non-company sponsored e-mail address and the use of options-
16 related sales literature without obtaining prior approval. From February 22, 2002 through February 3,
17 2003, MacDuff was employed by First Wall Street Corp. From January 29, 2003 through December 31,
18 2003, MacDuff was employed by First Montauk Securities Corp. MacDuff is not currently registered as
19 a securities salesperson or investment adviser representative with the State of Washington.

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

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

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

- 8 • Over the past two years we have spent a substantial amount of money attending
9 seminars and reading as well as investing somewhat tentatively in the market. Now,
10 we are receiving the rewards for the time and funds invested and we are willing to
11 share it with YOU!
- 12 • The returns may seem a bit staggering and if you compare what you will receive to
13 most money market funds . . . they are!
- 14 • Once a few months transpire and you’re up 15% to 20% on your initial investment,
15 we have some amazing plans for you to self direct any IRA’s you may have. It will
16 amaze you what the possibilities are once you know how to use them.
- 17 • The amount of your initial investment is guaranteed . . . Where else can you invest in
18 anything with no risk to you (*sic*) initial deposit!
- 19 • The rate of return is guaranteed to be a minimum of 5%. We can not guarantee what
20 it will be above that, but a safe bet would be somewhere between 10% and 15%.

21
22 charges that the entities engaged in misleading advertising about the profits earned by Wade Cook and his followers from the use
of his trading strategies.

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

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

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

14 13. MacDuff used the Wells Fargo bank account to pay for business and personal expenses as
15 well. MacDuff paid himself a salary of \$1,500 per month. He also withdrew \$750 per month for “rent”
16 on their home office. Other payments were made for telephone bills, cable bills, medical bills, computer
17 hardware and software, tax and accounting services, legal fees, and landscaping services for the
18 MacDuff’s home. MacDuff failed to disclose to investors that he withdrew a portion of their investment
19 funds for his own use.

20 14. MacDuff received approximately \$100,000 from investors in March. He received
21 approximately \$300,000 in April. In March, MacDuff began to utilize the options trading strategy of
22 selling naked puts. When selling naked puts, the seller has the obligation to buy the stock at the put

1 option strike price should the stock price decrease below the put option strike price. In return for this
2 obligation, the seller receives a premium. If the stock price increases during the option period, the option
3 will expire worthless and the seller retains the premium, and he is not required to purchase the stock.
4 There is a risk of loss when selling naked puts should the stock price drop significantly during the option
5 period. The seller may be obligated to buy stock at the put option strike price, stock that would be worth
6 substantially less than the price paid for it. MacDuff failed to disclose to investors the significant risks
7 associated with this trading strategy.

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

12 16. In May 2000, MacDuff consulted his tax advisor and a series of attorneys to discuss
13 whether he and Rachel had set up a proper legal entity to handle investor funds. On or about May 4,
14 2000, after a meeting with a securities law attorney, MacDuff believed that he had broken many laws
15 and that he needed to return the money he had taken from the investors. At that time, MacDuff
16 calculated that if he were to liquidate the accounts, investors would receive 30% to 50% of their original
17 investment.

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

22 MacDuff wrote:

23 STATEMENT OF CHARGES AND NOTICE OF INTENT
24 TO ENTER AN ORDER TO CEASE AND DESIST, DENY
25 REGISTRATIONS, IMPOSE FINES, AND CHARGE COSTS

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

Instead of demanding a return of their money, MacDuff urged investors to give him time to repay them and to allow him to continue to trade their funds by promising a greater return if they waited. MacDuff wrote: “The point is if *we* can get the funds out *under control*, you will wind up with more money than if we just let the courts take over! PERIOD.”

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

19. On October 23, 2000, MacDuff was hired by Dain Rauscher as a licensed securities salesperson. He failed to disclose his outside business activities involving POF and OIG, for fear that he

1 would not be hired. Due to restrictions on holding securities trading accounts, MacDuff transferred the
2 remaining investor funds to an account held in the name of Peckham. MacDuff used Peckham's login
3 name and password to trade in the account. MacDuff failed to disclose these activities to his employer.

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

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

15 **IV. Registration Status**

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

21 23. Richard MacDuff is not currently registered under the Securities Act of Washington, RCW
22 Ch. 21.20 et seq., as an investment adviser, investment adviser representative, broker-dealer, or

1 securities salesperson in the State of Washington. Richard MacDuff was registered with the State of
2 Washington as a securities salesperson from December 8, 2000 through December 31, 2003. He was
3 also registered as an investment adviser representative from January 29, 2003 to December 31, 2003.
4

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

6 **CONCLUSIONS OF LAW**

7 1. The offer and/or sale of investments in the POF/OIG fund and the promissory notes, as
8 described above, constitute the offer and/or sale of securities as defined in RCW 21.20.005(10) and
9 (12).

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

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

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

1 **NOTICE OF INTENT TO ORDER RESPONDENTS TO CEASE AND DESIST**

2 Pursuant to RCW 21.20.390, and based upon the above Tentative Findings of Fact and Conclusions
3 of Law, the Securities Administrator intends to order that Respondents Richard MacDuff, Peak Olympic
4 Financial, Inc., and Olympic Income Group Limited Partnership permanently cease and desist from
5 violations of the anti-fraud and registration provisions of the Securities Act, RCW 21.20.010, 20.20.040
6 and 21.20.140.

7 **NOTICE OF INTENT TO DENY REGISTRATIONS**

8 Pursuant to RCW 21.20.110(1)(e)(iii), and based upon the above Tentative Findings of Fact and
9 Conclusions of Law, the Securities Administrator intends to order that Respondent Richard MacDuff
10 shall be permanently denied registration as a securities salesperson, broker-dealer, investment adviser
11 representative, or investment adviser.

12 **NOTICE OF INTENT TO IMPOSE FINES**

13 Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions
14 of Law, the Securities Administrator intends to order that Respondent Richard MacDuff shall be liable
15 for and pay a fine in an amount of thirty thousand dollars (\$30,000).

16 **NOTICE OF INTENT TO CHARGE COSTS**

17 Pursuant to RCW 21.20.390(5), and based upon the above Tentative Findings of Fact and
18 Conclusions of Law, the Securities Administrator intends to order that Respondent Richard MacDuff
19 shall be liable for and pay the costs, fees, and other expenses incurred in the conduct of the
20 administrative investigation and hearing of this matter.

1 **AUTHORITY AND PROCEDURE**

2 This Order is entered pursuant to the provisions of RCW 21.20.110, 21.20.390, and 21.20.395, and
3 is subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. The Respondents may each
4 make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND
5 AND OPPORTUNITY FOR HEARING accompanying this Order. If a Respondent does not request a
6 hearing, the Securities Administrator intends to adopt the foregoing Tentative Findings of Fact and
7 Conclusions of Law as final, and enter a permanent cease and desist order against that Respondent and
8 enter an order denying registrations, imposing fines, and/or charging costs, as described above.

9 ENTERED AND DATED this 15th day of December, 2004.

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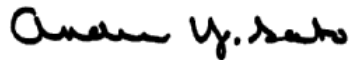
11 _____
12 MICHAEL E. STEVENSON
13 Securities Administrator

14 Approved for entry by:

15 

16 _____
17 Martin Cordell
18 Chief of Enforcement

19 Presented by:

20 

21 _____
22 Andrea Y. Sato
23 Enforcement Attorney