

BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE  
OF THE STATE OF IDAHO

STATE OF IDAHO, Department of	)	
Finance, Securities Bureau,	)	Docket No. 2009-7-25
	)	
Complainant.	)	AGREEMENT AND ORDER
	)	
vs.	)	
	)	
WALTER WESLEY WATTS,	)	
_____ Respondent.	)	

The Director of the Department of Finance has instituted an investigation into the conduct of Walter Wesley Watts (“Watts”). Pursuant to said investigation, it appears that violations of the Uniform Securities Act (2004) § 30-14-101 *et seq.* (the Act), have occurred. The Director and Respondent have agreed to resolve this matter without a public hearing. Therefore, the Director deems it appropriate and in the public interest that this Agreement and Order be entered, and the Respondent consents to the entry of this Agreement and Order.

**RESPONDENT**

1. Respondent Watts has been registered as a securities agent with the State of Idaho since December 2001 and has been an Idaho registered investment advisor since May 2005. Respondent was a broker dealer agent for Edward Jones from September 2001 through April 2004, at which time he became an agent for Raymond James Financial Services, Inc. Raymond James Financial

Services, Inc. terminated Respondent Watts on September 9, 2008. Respondent was an agent and investment adviser representative for J.P. Turner, LLC from October 16, 2008 to December 31, 2009. Additionally, Watts is a licensed insurance agent and works part-time as a tax preparer. Watts currently conducts business as Progressive Wealth Management, LLC. Progressive Wealth Management, LLC was organized in Idaho on October 31, 2008, as a limited liability company and Walter Watts is listed as the organizer of the Company.

### **BACKGROUND**

2. Watts' brothers, Todd and Vohn Watts formed Capital Ventures, LLC ("Capital Ventures") on April 11, 2006. Capital Ventures purportedly leveraged investor funds and invested those funds in international investments such as letters of credit, hard money loans, overnight banking and certificates of deposit. From April 2006 through May 2007, approximately 56 individuals or entities invested approximately \$7 million in Capital Ventures. Capital Ventures paid its investors a monthly return of 2 - 3%. Capital Ventures ceased making interest payments in September 2007 and on August 21, 2008, the Idaho Department of Finance obtained a default judgment against Todd and Vohn Watts and Capital Ventures. Among other things, the State alleged that Todd and Vohn Watts sold unregistered securities, misrepresented to investors that the investment was risk free or low risk and omitted to tell investors that new investor money could be used to repay existing investors who wanted to liquidate their investment. The State obtained a \$5 million money judgment against Todd Watts, Vohn Watts and Capital Ventures, LLC.

3. Respondent Watts personally invested \$50,000 in Capital Ventures in June 2006, and the monthly stated interest rate on his investment was 4%. Watts received payments from Capital Ventures totaling \$49,225.

4. On January 17, 2007, NS opened a brokerage account with Respondent Watts and broker-dealer Raymond James. On or around January 30, 2007, Respondent Watts recommended investments in Capital Ventures to NS.

5. Watts represented to NS that an investment in Capital Ventures was liquid and safe and stated that he had personally invested money in Capital Ventures and regularly received interest payments.

6. NS relied on Watts' investment expertise and agreed to invest \$250,000 with Capital Ventures based on Watts' recommendation and representations that an investment in Capital Ventures would be low risk and provide a 3% monthly return. On February 8, 2007, NS signed the Capital Venture Joint Venture Agreement, and on February 15, 2007, \$250,000 was wired from NS's Raymond James brokerage account to Washington Trust Bank for the benefit of Capital Ventures. Thereafter, NS received payments from Capital Ventures totaling approximately \$52,500.

7. In August 2008, Raymond James compliance learned that Watts may have been violating firm policy by selling away. Watts revealed in an interview with compliance personnel that he had recommended that NS invest in Capital Ventures.

8. Based on the admissions made by Watts regarding the Capital Ventures investment recommendation, Raymond James terminated Respondent Watts on September 9, 2008.

9. In January 2009, Raymond James contacted NS to discuss his investment in Capital Ventures and on August 17, 2009, NS and Raymond James entered into a settlement agreement where Raymond James agreed to pay NS \$180,000 as a final settlement relating to NS's investment in Capital Ventures.

## CONCLUSIONS OF LAW

10. Idaho Code § 30-14-501 (2) provides that it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly, to make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

11. Respondent Watts violated Idaho Code § 30-14-501 (2) by:

- a. Failing to disclose to NS that Watts was receiving a monthly return of 4% on his investment in Capital Ventures while his client would receive a monthly return of 3%.
- b. Failing to disclose to NS that the Capital Ventures investment had not been approved by Raymond James.
- c. Failing to disclose to NS that the Capital Ventures investment was not properly registered in the State of Idaho or exempt from registration requirements.

12. Idaho Code §30-14-501 (3) provides that it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly, to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person. Engaging in securities activities outside the scope of an agent's regular employment without the authorization of the agent's employer ("Selling away") is deemed to be a fraudulent practice pursuant to IDAPA 12.01.01.104.46.

13. Respondent Watts' act of selling securities outside of the scope of his regular

employment with a registered broker-dealer constitutes a violation of Idaho Code §30-14-501 (3) and IDAPA 12.01.01.104.46.

**REMEDIES**

14. Respondent neither admits nor denies the allegations contained in this Agreement and Order.

15. Respondent agrees to pay investor NS restitution of \$17,500.00. An initial payment of one thousand dollars (\$1,000.00) shall be remitted to the Idaho Department of Finance, PO Box 83720, Boise, ID 83720-0031 on or before April 1, 2010. Subsequent payments of \$687.50 shall be remitted to the Idaho Department of Finance by the 1st of each month until the \$17,500.00 has been paid in full.

16. Respondent agrees to not, now or in the future, provide any investment advice or offer or sell securities in or from Idaho.

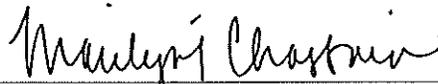
17. If the Respondent fails to timely meet all terms and conditions set forth in this agreement, this agreement shall be null and void, and the Department may seek all remedies allowed by law that arise from the conclusions of law referenced in paragraphs 10 through 13 above.

DATED this 1<sup>st</sup> day of March, 2010.



\_\_\_\_\_  
WALTER WESLEY WATTS

DATED this 17<sup>th</sup> day of March, 2010.

  
Marilyn T. CHASTAIN  
Bureau Chief, Securities Bureau  
Department of Finance  
State of Idaho

IT IS SO ORDERED This 17<sup>th</sup> day of March, 2010.

  
GAVIN M. GEE  
Director  
Department of Finance

