STATE OF NORTH CAROLINA

Department of The Secretary of State

IN THE MATTER OF:	)	
	)	
NORTH CAROLINA SECURITIES DIVISION,	)	
	)	
Petitioner,	)	
	)	**ORDER OF SUMMARY SUSPENSION**
vs.	)	
	)	
	)	
	)	
SAMUEL VAUGHN WATKINS, CRD # 2735643,	)	**FILE NO. 08SEC019**
	)	
	)	
Respondent.	)	

PURSUANT TO the authority granted by Chapter 78A of the North Carolina General Statutes (the North Carolina Securities Act) and the administrative rules promulgated thereunder, the Securities Division of the Department of the Secretary of State (hereinafter the "Division") has examined the application for registration as a securities salesman of Samuel Vaughn Watkins and the allegations contained in the Administrative Petition filed in connection with this matter to determine if his registration as a securities salesman is subject to suspension and revocation pursuant to N.C.G.S. §78A-39(a) and/or N.C.G.S. §78A-39(c).

THE DIVISION has filed an Administrative Petition against the above-named Respondent seeking, among other remedies, a summary suspension, pursuant to the provisions of N.C.G.S. §78A-39(c), of the North Carolina registration of said Respondent to engage in transacting business in this State as a securities salesman.

THE SECRETARY OF STATE acting by and through her duly authorized Deputy Securities Administrator, from the examination of the application for registration and other information provided, and for the protection and preservation of the public welfare and in the public interest, makes the following:

FINDINGS OF FACT

1. Upon information and belief, Respondent Samuel Vaughn Watkins (hereinafter "Watkins") is an individual conducting securities business at the address of 608 Wednesbury Boulevard, Charlotte, North Carolina, 28262.

2. Respondent Watkins submitted an application for registration as a salesman of securities on a Form U-4 dated January 15, 2008 and executed under oath by Respondent Watkins. Mr. Watkins' application for registration was approved, in the normal course of business, on February 4, 2008. The application for registration, as filed on the Form U-4 by Mr. Watkins, failed to disclose the matters alleged herein.

3. Two of the statutory grounds for the suspension or revocation of registration of a salesman of securities under N.C.G.S. §78A-39(a) are: subsection (2)(b), where the applicant has willfully violated or willfully failed to comply with any provision of Chapter 78A or a predecessor law or any rule or order under Chapter 78A . . .; and subsection (2)(g), where the applicant has engaged in dishonest or unethical practices in the securities business.

4. Upon information and belief, on February 4, 2005, Respondent Watkins offered to a sell a security in the form of a promissory note (herein, the "Promissory Note") to a South Carolina resident, Barbara G. Collins, by sending via facsimile transmission from a Charlotte, North Carolina facsimile number ((704) 567-5885) a copy of the proposed Promissory Note. The proposed Promissory Note promised to pay Ms. Barbara Collins "interest at the rate of forty per cent . . . due and payable Quarterly starting from February 4, 2005."

5. Upon information and belief, Respondent Watkins, during his sales pitch and in connection with the offer and sale of the Promissory Note to Ms. Barbara Collins, as referenced in Paragraph 4, above, stated that the investment was a "guaranteed investment that would earn 40% interest." However, the offer failed to disclose any risks associated with the investment.

6. Upon information and belief, Ms. Barbara Collins, on February 4, 2005, executed a personal check for an amount of One Hundred Thousand Dollars ($100,000.00) made payable to Samuel V. Watkins and mailed the check and a copy of the signed Promissory Note to Mr. Samuel V. Watkins at his Charlotte, North Carolina address.

7. On or about March 28, 2005, Timothy Collins and Brian Collins, sons of Ms. Barbara Collins, also purchased a Promissory Note from Respondent Watkins for Eighty Thousand Dollars ($80,000.00). This Promissory Note contained a written representation that it would pay 40% interest. Timothy and Brian Collins' check was also mailed to Mr. Watkins at his Charlotte, North Carolina address. Again, Respondent Watkins failed to disclose any risks associated with

the Promissory Note to the purchasers.

8. The funds invested with Mr. Watkins by the Collins family represented money that had been received by the widow Ms. Barbara Collins in settlement of a civil suit based on the untimely death of her husband in 2002. Ms. Collins intended the investments to secure payment for the college education of her sons, Timothy and Brian. The Collins' investments were motivated by the guarantee of safety of investment represented by Mr. Watkins, referenced in Paragraph 5 above.

9. On or about March 28, 2005, Jacqueline Walker, a resident of South Carolina and close personal friend to Barbara Collins, also invested Fifty Thousand Dollars ($50,000.00) in a Promissory Note issued by Respondent Watkins that contained representations that she would earn 40% interest on the investment. Upon information and belief, Walker mailed her check for this investment to Mr. Watkins at his Charlotte, North Carolina address. Again, Respondent Watkins failed to disclose to Walker any risks associated with the Promissory Note.

10. Respondent Watkins has defaulted in his obligations to make payments on the Promissory Notes referred to in Paragraphs 4-9 above, and has not returned the invested funds to any of the South Carolina investors.

11. N.C.G.S. §78A-36 requires that a person who acts as a dealer or salesman of securities to be registered as such prior to transacting business in securities transactions. Respondent Watkins, while offering and selling investments to South Carolina residents from his office in North Carolina, was not registered as a salesman or dealer of securities with the State of North Carolina, in violation of that statute.

12. N.C.G.S. §78A-24 requires registration of a security before it is offered and sold in North Carolina. The Promissory Notes sold to the South Carolina investors by Respondent Watkins were not registered pursuant to N.C.G.S. §78A-24 prior to being offered and sold, in violation of that statute.

13. N.C.G.S. §78A-8(2) provides that it is unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly, to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.

14. Respondent Watkins had previously been registered with the State of North Carolina as a salesman of securities as recently as December 31, 2004, and should have known about the registration requirements of the North Carolina Securities Act at the time of the transactions referred to in Paragraphs 4 – 9 above. Furthermore, he should have known at the time of these

transactions that it is unlawful for any person, in connection with the offer, sale or purchase of any security, to make any untrue statement of a material fact and to omit to state material facts where such omission would be misleading.

15. The offer and subsequent sales of the Promissory Note securities by Respondent Watkins in violation of N.C.G.S. §78A-8(2) constitute both willful violations of Chapter 78A, the North Carolina Securities Act, and the engaging in any act, practice or course of business which operates or would operate as a fraud or deceit.

16. The offer and subsequent sale of the Promissory Note securities by Respondent Watkins in violation of N.C.G.S. §§78A-24 and 78A-36 constitute willful violations of Chapter 78A, the North Carolina Securities Act.

17. Respondent Watkins' registration as a securities salesman threatens injury to the State of North Carolina and its citizens in the form of economic loss resulting from the effecting of securities transactions and the providing of advice regarding the value of, and investment in, securities from a person who has previously sold unregistered securities, while in a unregistered capacity, and has engaged in dishonest or unethical practices in the securities business and who has violated the anti-fraud provisions of N.C.G.S. §78A-8(2).

18. The State of North Carolina and its citizens will suffer immediate and irreparable injury unless the registration of the Respondent as a salesman of securities is immediately and summarily suspended pending final determination of this proceeding to permanently deny such registration.

BASED UPON THE FOREGOING findings of fact, the Administrator makes the following:

CONCLUSIONS OF LAW

1. The Administrator has statutory authority pursuant to N.C.G.S. §78A-39(c) to issue summary orders suspending registrations in North Carolina of registrants, pending a final determination of a proceeding under N.C.G.S. §§78A-39(a), 78A-39(c) and 78A-39(f).

2. There is reasonable cause to believe that Respondent has willfully violated or willfully failed to comply with any provision of Chapter 78A and is subject to suspension from registration as a securities salesman in North Carolina, pursuant to N.C.G.S. §§78A-39(a)(2)(b).

3. There is reasonable cause to believe that Respondent has engaged in dishonest or unethical practices in the securities business and is subject to suspension from registration as a securities salesman in North Carolina, pursuant to N.C.G.S. §§78A-39(a)(2)(g).

4. The Administrator finds the entry and issuance of this Order to be in the public interest, with respect to N.C.G.S. §78A-39(a)(1).

5. The entry and issuance of this Order is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the North Carolina Securities Act.

NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to the authority contained in N.C.G.S. §§78A-39(c) and 78A-39(f), that, pending a final determination in this proceeding, the North Carolina registration of Respondent Samuel Vaughn Watkins as a securities salesman, be, and hereby is, suspended; and

NOTICE IS HEREBY GIVEN that the Respondent may request a hearing upon this matter by transmitting such request, in writing and within thirty (30) business days of receipt of this document, to David S. Massey, Deputy Securities Administrator, Securities Division, Department of the Secretary of State, Post Office Box 29622, Raleigh, North Carolina 27626-0622. A copy of any such request shall be served by first-class mail upon Allan C. J. Russ, Enforcement Attorney, Securities Division, Department of the Secretary of State, Post Office Box 29622, Raleigh, North Carolina 27626-0622. If such a request is made, this matter shall be scheduled for a hearing in accordance with Chapter 150B of the North Carolina General Statutes within twenty (20) days after receipt by the Deputy Securities Administrator of the written request. If no request for a hearing, other responsive pleading, or submission is received by the Deputy Securities Administrator within thirty (30) business days of the receipt of service hereof, this Order of Summary Suspension shall become final and remain in effect unless it is modified or vacated by the Secretary of State in her capacity as Administrator of the North Carolina Securities Act.

WITNESS MY HAND AND THE OFFICIAL SEAL of the North Carolina Department of the Secretary of State, this the 4th day of June, 2008.

Time of entry: 4:02 P.M.

ELAINE F. MARSHALL
SECRETARY OF STATE OF NORTH CAROLINA and
SECURITIES ADMINISTRATOR

By: _____
DAVID S. MASSEY
DEPUTY SECURITIES ADMINISTRATOR