

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 79689 / December 23, 2016

INVESTMENT ADVISERS ACT OF 1940
Release No. 4593 / December 23, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17372

In the Matter of

**ISLAND TRADER LLC AND
RICHARD H. NICKLES**

Respondents.

**ORDER MAKING FINDINGS AND
IMPOSING REMEDIAL SANCTIONS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934
AND SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940**

I.

On August 10, 2016, the Securities and Exchange Commission (“Commission”) instituted proceedings pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Island Trader LLC (“Island Trader”) and Richard H. Nickles (“Nickles”) (collectively, “Respondents”).

II.

Nickles and Island Trader have submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondents admit the Commission’s jurisdiction over them and the subject matter of these proceedings, and the findings contained in paragraphs III.1 and III.2 below, and consent to the entry of this Order Making Findings and Imposing Remedial Sanctions Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, as set forth below.

III.

On the basis of this Order and Respondents’ Offer, the Commission finds that:

1. From at least 1977 through March 2009, Nickles was associated with Island Trader Securities, Inc., dba Island Trading, a broker-dealer registered with the Commission. From at least December 2009 through April 2010, Nickles held out Island Trader, of which he was a managing member, as a broker. Nickles caused Island Trader to provide to clients trade confirmations that identified Island Trader as a member of SIPC/FINRA. Nickles also orally represented to clients that Island Trader was a broker registered with the Commission. Nickles also owned and operated Innovative Advisory Services, Inc., which was registered with the State of California as an investment adviser from May 2004 through May 2010.

2. On September 21, 2012, a final judgment was entered by consent against Nickles and Island Trader, permanently enjoining Nickles from future violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”), Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act, and permanently enjoining Island Trader from future violations of Section 15(a) of the Exchange Act, in the civil action entitled *Securities and Exchange Commission v. Innovative Advisory Services, Inc., et al.*, Civil Action Number CV-10-0043-JVS-RNBx, in the United States District Court for the Central District of California.

3. The Commission’s complaint alleged that, from at least March 2009 until April 2010, Nickles, through Island Trader and two other entities that he controlled, raised almost \$3 million through false newspaper advertisements and oral misrepresentations about certain purportedly “insured” and “US Government Guaranteed” investments that Nickles recommended to clients. The Commission’s complaint further alleged that, in at least some instances, Nickles did not invest client funds as he had represented. Instead, Nickles used fraudulent gimmicks to give clients the appearance that the respondents’ business was legitimate. For example, Nickles provided clients with trade confirmations for investments that he had purportedly purchased for them. The trade confirmations, however, identified securities that either did not exist or were never purchased. The complaint also alleged that Nickles falsely held out Island Trader as a registered broker-dealer that was a member of SIPC and FINRA.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents’ Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act, and, as to Nickles, Section 203(f) of the Advisers Act, that Respondents Nickles and Island Trader be, and hereby are barred from association with any broker, dealer, investment adviser, municipal securities dealer, or transfer agent; and

Pursuant to Section 15(b)(6) of the Exchange Act, Respondents Nickles and Island Trader be, and hereby are barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by Respondents will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against Respondents, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

For the Commission, by its Secretary, pursuant to delegated authority.

Brent J. Fields
Secretary