

**UNITED STATES OF AMERICA**  
**before the**  
**SECURITIES AND EXCHANGE COMMISSION**

SECURITIES EXCHANGE ACT OF 1934  
Release No. 78537 / August 10, 2016

INVESTMENT ADVISERS ACT OF 1940  
Release No. 4477 / August 10, 2016

ADMINISTRATIVE PROCEEDING  
File No. 3-17372

**In the Matter of**

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

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE  
PROCEEDINGS PURSUANT TO SECTION  
15(b) OF THE SECURITIES EXCHANGE  
ACT OF 1934 AND SECTION 203(f) OF  
THE INVESTMENT ADVISERS ACT OF  
1940 AND NOTICE OF HEARING**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted 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.**

After an investigation, the Division of Enforcement alleges that:

**A. RESPONDENTS**

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.

**B. ENTRY OF THE INJUNCTION**

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 SIPA and FINRA.

**III.**

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

- A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations;
- B. What, if any, remedial action is appropriate in the public interest against respondents Island Trader and Nickles pursuant to Section 15(b) of the Exchange Act; and
- C. What, if any, remedial action is appropriate in the public interest against respondent Nickles pursuant to Section 203(f) of the Advisers Act.

**IV.**

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission’s Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondents shall each file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission’s Rules of Practice, 17 C.F.R. § 201.220.

If either Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, that Respondent may be deemed in default and the proceedings may be determined against him or it upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondents as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

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

Brent J. Fields  
Secretary