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2 STATE OF OREGON
3 DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
4 DIVISION OF FINANCIAL REGULATION

5 In the Matter of:

Case No. S-19-0019

6 GARY DODDS AND RAYMOND
7 JAMES FINANCIAL SERVICES,
8 INC., A FOREIGN BUSINESS
9 CORPORATION,

FINAL ORDER TO CEASE AND
DESIST, ASSESSING CIVIL
PENALTIES, PERMANENTLY
BARRING FROM INDUSTRY, AND
CONSENT TO ENTRY OF ORDER AS
TO RESPONDENT GARY DODDS

Respondents.

10 The Division of Financial Regulation (the “Division”), acting on behalf of the
11 Director of the Department of Consumer and Business Services for the State of Oregon
12 (the “Director”), conducted an investigation of Gary B. Dodds (“Dodds”) and Raymond
13 James Financial Services, Inc. (“RJFS”). The Division determined that Dodds violated
14 provisions of Oregon Revised Statutes (“ORS”) 59.005 to 59.505, 59.991 and 59.995 (the
15 “Oregon Securities Law”) and the Oregon Administrative Rules (“OAR”) promulgated
16 under those laws.

17 Dodds, without admitting or denying the information contained in the Background,
18 the Findings of Fact, or the Conclusions of Law, wishes to resolve and settle this matter
19 with the Director.

20 Now, therefore, as evidenced by the signature(s) subscribed herein, Dodds hereby
21 consents to entry of this Order.

22 **BACKGROUND**

23 The Division received information from Oregon Adult Protective Services (“APS”)
24 regarding the potential financial exploitation of an elderly Oregon consumer, identified
25 herein as “CL.” The information indicated that CL owned accounts with RJFS and that
26 Dodds was her financial advisor. APS informed the Division that Dodds had been

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1 generating large commissions for himself on CL’s account due to what appeared to be
2 excessive trading. The Division conducted an investigation into these activities and found
3 that Dodds engaged in excessive trading or churning of several of his clients’ accounts,
4 particularly with respect to his elderly clients. The Division also found that Dodds made
5 unsuitable recommendations and sales of securities and that he failed to maintain proper
6 documentation of his securities trading activities.

7 The Division learned that RJFS, including Dodds’s former branch office
8 managers,¹ had been aware of Dodds’s excessive trading and poor notetaking since at least
9 2016 but failed to take adequate or effective corrective action. In October 2017, RJFS
10 conducted an internal branch examination which raised concerns that there was no
11 evidence that Dodds maintained proper documentation for his clients’ accounts and raised
12 further concerns about the trading activity in his clients’ accounts. In January 2018, RJFS
13 placed Dodds on heightened supervision, and in February 2018, Dodds was given a
14 heightened supervision plan (“HSP”). Six (6) months later, in July 2018, RJFS removed
15 Dodds from that plan despite Dodds’s failure to make sufficient changes to his trading
16 activity or recordkeeping.

17 As demonstrated in more detail below, the Division concluded that RJFS violated
18 the Oregon Securities Law by failing to reasonably supervise Dodds.

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25 ¹ Dodds had co-branch managers at RJFS’s Bend, Oregon branch office (the “Bend Branch Office”) during
26 the period of time relevant to this Consent Order. Branch Manager 1 was the official designated branch
supervisor from April 21, 2011, until May 10, 2019, per CRD filings. However, Branch Manager 2 became
a co-branch manager pursuant to an Independent Branch Owner Agreement with RJFS on January 9, 2015.
Branch Manager 2 left the Bend Branch Office in November 2017.

1 **FINDINGS OF FACT**

2 The Director FINDS that:

3 1. On October 20, 2011, Dodds (Individual CRD number 840109) first became
4 associated with RJFS (Firm Central Registration Depository (“CRD”) number 6694). On
5 that same date, Dodds also became licensed with the Division as a salesperson associated
6 with RJFS.

7 2. On November 18, 2013, a former client of Dodds filed a complaint against him
8 with the Financial Industry Regulatory Authority (“FINRA”). The claimant in that matter
9 alleged damages of at least \$1,500,000 as a result of unsuitable investments beginning in
10 1996 while Dodds was working for another firm. On or about May 26, 2015, after Dodds
11 began working for RJFS, Dodds’s previous firm resolved that matter for \$385,000.² RJFS
12 did not receive any complaints from Dodds’s clients while he was associated with the firm.

13 3. At all relevant times, all accounts Dodds managed during his tenure at RJFS
14 were commission-based accounts; none were fee-based. Accordingly, Dodds earned the
15 vast majority of his money by trading his clients’ equity securities. He was able to generate
16 income for himself with each trade.

17 4. One of Dodds’s longstanding clients including while associated with RJFS was
18 an Oregon investor identified herein as CL. CL was born in 1945.

19 5. On June 23, 2006, CL executed a Power of Attorney, appointing her longtime
20 friend, identified herein as KD, and another individual as attorneys-in-fact. That Power of
21 Attorney authorized the attorneys-in-fact, among other things, to sell or transfer any
22 securities owned by CL. CL executed the Power of Attorney at least in part due to her
23 history of medical issues, which became more pronounced as she aged.

24 6. On or about October 31, 2011, CL opened an account with RJFS through
25 Dodds. CL maintained three separate accounts with RJFS. Dodds was the adviser for all of

26 ² See FINRA case number 13-03286.





1 her accounts.

2 7. In or about August 2014, CL retired from work.

3 8. For the five-year period from 2013 through 2017, Dodds earned \$114,250 in
4 commissions by executing 362 trades on CL's account. CL's average return on assets over
5 that entire five-year period was modest, yet the average annual cost to equity ("C/E") ratio
6 on her account was 3.48% over the same period. In other words, Dodds earned considerably
7 high commissions on CL's account.

8 9. Dodds earned high commissions on CL's accounts due at least in part to (a) the
9 number of trades Dodds executed and (b) the way he balanced CL's portfolio.

10 10. The number of trades Dodds executed on CL's account, and therefore the
11 amount of commissions Dodds earned, increased significantly starting in 2014. From 2014
12 through 2017, Dodds executed at least 72 trades per year, generating more than \$24,000
13 per year in commissions for himself. This reflects an annual C/E ratio – which represents
14 the costs of trades (including commissions) Dodds earned divided by the year-end account
15 value minus total yearly withdrawals – during that same period of an average of 3.75% per
16 year.³

17 11. Between 2015 and 2017, Dodds changed the balance of CL's portfolio from a
18 relatively even split between fixed-income investments and equity securities to a majority
19 of equity securities. Initially in 2015, CL's accounts comprised approximately 53% equities
20 and 47% fixed-income investments. By 2017, Dodds had moved more of CL's investments
21 into equities, resulting in holdings of approximately 67% equities and 33% fixed-income
22 investments. This allowed Dodds to continue and increase his trading activities on those
23 equities in order to generate greater commissions for himself.

24 12. This change in CL's portfolio mix away from fixed-income investments and
25

26 ³ In 2013, when CL's portfolio contained fewer equities for Dodds to trade, Dodds performed 56 trades, which generated \$16,248.92 in commissions, reflecting a C/E ratio of approximately 2.45%.



1 toward equities is the opposite direction in which most accounts change over time. In fact,
2 firm policy acknowledges that it is more typical to transition from equity to more fixed-
3 income investments as clients age. For example, an RJFS training module pertaining to
4 senior and at-risk investors – in which Dodds participated – states, “Remember, as clients
5 age their time horizons, goals, risk tolerances, and tax status may change” such that “Goals
6 may adjust from growth to income or capital preservation.”

7 13. The record from CL’s account shows a lack of sufficient documentation
8 regarding changes to CL’s investment objectives or risk tolerance. CL had retired before
9 Dodds rebalanced her portfolio mix to favor equities over fixed-income securities. Not only
10 did Dodds rebalance CL’s portfolio in such an atypical way for a retiree, he did so in the
11 absence of any documented direction from CL to do so.

12 14. On April 29, 2016, RJFS issued a letter to CL. This type of letter, known as an
13 “Active Trade Letter,” informs clients that the firm reviewed the activity in their account
14 and provides information about the account activity, including the number of trades
15 executed in a given time period and the amount of commissions paid to their advisor. The
16 April 2016 Active Trade Letter informed CL that between January 1, 2015, and December
17 31, 2015, Dodds performed 77 transactions on her account, which generated \$24,371.68 in
18 commissions for Dodds.⁴ At the request of RJFS, CL signed that letter on May 10, 2016.

19 15. Dodds was required to speak to his clients whose funds were in non-
20 discretionary accounts, including CL, prior to trading their securities. In fact, all of Dodds’s
21 accounts were non-discretionary and required such prior authorization.

22 16. In 2016, Dodds executed 80 trades in CL’s account. In that same year, Dodds
23 used his office phone to speak to CL only seven (7) times⁵ and there is no record of a

24 _____
25 ⁴ In 2014, Dodds performed 72 trades, which generated \$24,300 in commissions, but RJFS did not issue an
Active Trade Letter that year.

26 ⁵ Dodds likely spoke to CL fewer than seven (7) times in 2016. Phone records from the Bend Branch reflect
seven (7) phone calls in that year, but only four (4) of those calls exceeded two minutes in length. It is likely



1 meeting with CL in person.

2 17. On August 17, 2017, another RJFS Senior Compliance Advisor sent an email
3 to Dodds. In that email, the Senior Compliance Advisor noted that the RJFS Compliance
4 Department identified CL's account having a C/E ratio of 3.9%. In other words, Dodds was
5 generating commissions for himself in an amount equal to 3.9% of the value of CL's
6 account. After indicating that this C/E ratio was too high, the Senior Compliance Advisor
7 posed the following six numbered questions to Dodds:

- 8 1. How are the investment decisions made for this account?
- 9 2. How do the number and frequency of trades in this account fit in to the client's
10 overall investment strategy?
- 11 3. What discussions have you had with the client regarding a fee based account?
- 12 4. Have you considered discounting commissions to bring the cost to equity ratio
13 below 3%?
- 14 5. What other information do you have regarding this client that might assist us
15 with understanding this client's situation? (i.e. exact net worth, other
16 investments/assets, relationship history with the client, etc.)
- 17 6. How are notes being taken to adhere to the FINRA Suitability Rule? Would you
18 be able to produce them if requested? (Advisor Access - FINRA-Know-Your-Client-
19 and-Suitability-Rule⁶)

20 18. On August 21, 2017, Dodds responded to the email as follows:

- 21 1. Decisions are made with the client and broker.
- 22 2. The trading has been more frequent in the trust to capture gains to help offset the
23 2016 loss from LNCO in the IRA. LNCO loss = \$29,911.52. Trust 2017 year to

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25 that those phone calls lasting fewer than two (2) minutes did not result in conversations authorizing the
26 purchase or sale of securities (e.g., the calls were unanswered or resulted in voicemails).

⁶ This was a hyperlink to a RJFS website regarding FINRA rules
<https://rjnetpilot.rjf.com/ResourcesandSupport/CorporateServices/Compliance/RJFS/Pages/FINRA-Know-Your-Client-and-Suitability-Rule.aspx>.



1 date gains = \$17,088.00.

2 3. Client prefers commission to fee based.

3 4. No

4 5. [CL] has considerable retirement assets with a former employer
5 (hospital). Parents were clients since mid 1980's. Long term relationship.

6 6. Yes.

7 19. There are no documented subsequent conversations between RJFS and Dodds
8 to clarify or support any of the responses Dodds offered in the foregoing email exchange.
9 In particular, Dodds never clarified – nor did Raymond James seek clarification about –
10 how investment decisions are made; what Dodds meant by “trading has been more frequent
11 in the trust to capture gains to help offset the 2016 loss”; the basis for Dodds’s statement
12 that the client prefers commissions-based accounts instead of fee-based accounts; why
13 Dodds would not consider reducing his commission amount or why Raymond James would
14 not require this⁷; or how Dodds’s notes adhered to FINRA suitability rules.

15 20. On August 22, 2017, the Senior Compliance Advisor sent an email to Dodds
16 and wrote, “After discussion with your Regional Compliance Officer [], we have decided
17 that another letter will need to be sent to the client. I see that there was an Active Trade
18 Letter sent to this client [CL] in 2016, but our policy states that any account with a CE [cost
19 to equity ratio] above 3% receive a letter every year to minimize liability for yourself. All
20 the client will need to do is sign and return it to the home office in the return envelope that
21 I will include.” The Senior Compliance Advisor also asked Dodds if he would ever
22 consider discounting commissions in order to bring the C/E ratio below three (3) percent.
23 There are no documents showing whether Dodds ever addressed the question about
24 discounting commissions. The Senior Compliance Advisor did not ask Dodds why the C/E

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26 ⁷ As discussed below, as part of a separate conversation, the Senior Compliance Advisor subsequently asked
Dodds whether he would “ever consider discounting commissions in order to bring the CE below 3[%],” but
Dodds never replied and the Senior Compliance Advisor did not follow up.



1 ratio was high for at least the third year in a row nor did he inquire about the number or
2 types of trades Dodds was conducting for this account, whether Dodds was acting at the
3 direction of CL, or any other questions to uncover the nature of his trading activities.

4 21. The foregoing RJFS policy that the Senior Compliance Advisor described
5 recognizes that C/E ratios exceeding 3% may indicate a financial advisor is engaged in
6 excessive trading or churning. As the Senior Compliance Advisor explained, a C/E ratio
7 exceeding that amount necessitates sending an Active Trade Letter to a client in order “to
8 minimize liability for” the financial advisor rather than to protect the client.

9 22. On August 25, 2017, the Senior Compliance Advisor sent another Active Trade
10 Letter to CL, informing her that between July 1, 2016, and June 30, 2017, Dodds performed
11 88 transactions on that single account of CL, which generated \$27,416.16 in commissions
12 for Dodds. Dodds represented that CL signed and attempted to return the letter, but RJFS
13 did not receive the letter.

14 23. In 2017, Dodds called CL eleven (11) times from his office phone and did not
15 meet with CL in person despite making 76 trades that calendar year.⁸

16 24. CL has a history of significant medical issues, including problems with
17 mobility, loss of sight, and memory/cognitive impairments. Starting in or about
18 October 2017, these medical conditions were becoming more problematic such that CL’s
19 longtime friend KD began exercising the authority granted to her by documents CL
20 executed, including a Trust and Power of Attorney, to help manage CL’s financial and
21 other affairs.

22 25. Around that same time in or about October 2017, CL moved into an assisted
23 living facility, where she receives assistance due to her poor mobility, worsening vision,
24 and memory/cognitive impairments. She remains in that facility as of the date of this
25

26 ⁸ As with 2016 telephone calls, if calls two (2) minutes or under are excluded, phone records indicate that Dodds spoke to CL on his office phone only five (5) times in 2017.



1 Consent Order.

2 26. On October 6, 2017, Branch Manager 2 emailed Dodds and copied Branch
3 Manager 1 with the subject line "Account Notes." Branch Manager 2 informed Dodds that
4 one of Dodds's clients, identified in the chart below as 92-year-old "RB," was a long-time
5 acquaintance of Branch Manager 2 and that RB "clearly didn't recognize me a couple
6 weeks ago while he was here at the office and seemed a little disheveled. This occurrence
7 stood out as odd considering we've had dinner together almost every month for the past
8 two and half [sic] years. Please keep up to date notes (preferably in client center) on all
9 clients; particularly the older less healthy clients."

10 27. That same day, Dodds responded to Branch Manager 2 and wrote in total: "[RB]
11 was in today about 20 minutes ago....seemed fine. Thanks Gary." Dodds's email did not
12 address Branch Manager 2's concerns of RB's potential cognitive decline or the need to
13 document activities on his clients' accounts.⁹

14 28. In or about October 2017, an RJFS Senior Compliance Examiner commenced
15 an examination of the RJFS branch office where Dodds worked in Bend, Oregon.

16 29. On October 18, 2017, the Senior Compliance Examiner sent an email to the
17 Regional Compliance Officer and copied an RJFS Compliance Examination Supervisor.
18 In that email, the Senior Compliance Examiner requested to have a conversation about the
19 Bend Branch Office and then wrote, "Specifically I am extremely concerned about some
20 of Gary Dodd's [sic] clients as well as his responses and notetaking in general." He then
21 singled out the activity on four separate accounts that Dodds managed, indicating the
22 clients' ages (72, 92, 87, and 89 years old); cost to equity ratios (4.14%, 5.55%, 4.19%,
23 and 2.6301% & 2.7916%¹⁰); and the number of annual trades on the accounts (90, 103, 80,
24 and 40 & 38). The first listed client was CL.

25 _____
26 ⁹ RB died on or about March 15, 2019.

¹⁰ The last listed clients had two accounts.

1 30. In that same email, the Senior Compliance Examiner wrote, “I have concerns
2 on not only the excessive commissions and trading in accounts but also regarding the
3 activity due to the Age of the clients as well. In addition to this his note taking is definitely
4 lacking. There are a bunch of other things I would like to discuss about this as well but I
5 believe that active trade letters need to go out for each one of these accounts again this
6 year. In addition to this, I would advise having a statement of caution sent out to Gary
7 Dodds as well.”

8 31. On November 16, 2017, the Senior Compliance Examiner issued a branch
9 examination report of the Bend Branch Office (the “Branch Examination Report”).

10 32. The Senior Compliance Examiner addressed the Branch Examination Report to
11 Branch Managers 1 and 2. He also copied ten (10) other RJFS personnel.

12 33. In section eight (8) of the Branch Examination Report, the Senior Compliance
13 Examiner wrote, “There was no evidence that proper documentation for Gary Dodds’
14 clients were being maintained for his non-fee based accounts.” Because all of Dodds’s
15 accounts were non-fee based, this meant there was no evidence that he maintained proper
16 documentation for any of his accounts. The Senior Compliance Examiner also noted that
17 in order to comply with FINRA Suitability and Know Your Customer regulations, RJFS
18 would need documentation of potential liquidity needs, the rationale for explicit hold
19 recommendations, and investment strategy recommendations.

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34. In section nine (9) of the Branch Examination Report, the Senior Compliance Examiner listed five client accounts on a chart that indicated the clients' names, account numbers, ages, cost to equity (C/E) ratio, annual trades, account value, and annual commissions, consistent with his email of October 18, 2017. The chart appeared as follows (client names and account numbers redacted):

| Client | Account# | Age | C/E Ratio | T12 Trades | Account Value | T12 Commissions |
|----------|----------|-----|-----------|------------|---------------|-----------------|
| [RB] | *****479 | 92 | 5.55% | 103 | \$631,184 | \$35,027 |
| [CL] | *****562 | 72 | 4.14% | 90 | \$690,393 | \$28,584 |
| [DR] | *****927 | 87 | 4.19% | 80 | \$668,527 | \$27,991 |
| [P & VT] | *****246 | 89 | 2.63% | 40 | \$607,740 | \$15,984 |
| [P & VT] | *****294 | 89 | 2.79% | 38 | \$565,72 9 | \$15,793 |

35. In light of the foregoing, the Senior Compliance Examiner requested, "For the accounts referenced above, please have Gary Dodds provide a signed statement describing the investment strategy with detailed evidence & thorough documentation and confirm that the clients are spoken to prior to each trade. Also, please confirm your procedures as it relates to elderly clients and communicating with authorized individuals about the accounts."

36. Then, in boldface type, the Senior Compliance Examiner wrote, "Due to the nature of the above 2 deficiencies (8&9) we urge you to take corrective measures at the earliest possible time. If the same deficiencies are noted on a future examination, penalties could be assessed. Please address what steps the branch is taking to ensure that these types of deficiencies will not be an issue for advisors in the branch going forward."

37. On December 11, 2017, the Senior Compliance Advisor sent an email to Dodds. The Senior Compliance Advisor stated, pursuant to "our conversation with [the Regional Compliance Officer] earlier I have copied in some helpful resources." The Senior Compliance Advisor included links to electronic resources, including "Note Taking on the Fly Guide" and "Best Practices for Documenting Client Contact." The Senior Compliance Advisor also provided a link to a software application to help take notes via voice dictation.

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1 38. On December 21, 2017, Branch Manager 2 sent an email to the Senior
2 Compliance Examiner. Branch Manager 2 wrote that he and Branch Manager 1 “are less
3 than impressed with Gary’s account notes. We feel the quality of his notes do not identify
4 client strategy or offer supporting documentation (i.e. research reports).” A response
5 memorandum to the Branch Examination Report attached to that email, which appears
6 Branch Manager 1 and/or 2 authored, indicated that all issues regarding Dodds would be
7 handled outside of the exam process, that Dodds would be added to an HSP, and that “10+
8 Monthly active trade letters” would be sent to clients.

9 39. On January 12, 2018, the Senior Compliance Examiner emailed an RJFS
10 Compliance Specialist and copied others to share the copies of notes that Dodds provided,
11 which the Senior Compliance Examiner indicated “show the same issues that have been
12 previously discussed. More than anything it just covers what trades were placed more than
13 anything else. As previously stated I would definitely recommend an [sic] minimum
14 sending out a letter of caution to [Dodds] but I will defer to the weekly meeting for their
15 takeaway and opinion.”

16 40. In that same email, the Senior Compliance Examiner continued, “I am still also
17 still very concerned with the excessive trading and commissions (see below updated table)
18 that seems to be going on with some of his older clientele as well. In addition to this, Garry
19 [sic] has failed to address why he is trading in such a drastically different method and way
20 with these clients vs his other clients as well.” The Senior Compliance Examiner included
21 a table similar to the one included in his Branch Examination Report that was updated to
22 identify nine (9) clients by age and C/E ratio – ranging from 64 to 92 years and 2.33 and
23 4.72%, respectively. He then wrote: “As you can see from the updated chart above, we
24 have even more of Garry’s [sic] older clients now with C/E Ratio’s well above 2% now as
25 well (Accounts *****660, *****640, *****039 & *****164 are now above this level as
26 well sense it was pulled in December). I would seriously consider recommending that we



1 have the FA be forced to refund/rebate some of these commissions to illustrate that there
2 needs to be thoughtful need for trades in conjunction with the clients liquidity needs,
3 inflows of additional capital and stated objectives so that the advisor has a disincentive
4 knowing that he must follow these guidelines going forward.” The Senior Compliance
5 Examiner concluded the email by noting his concerns about possible churning.

6 41. On or about February 16, 2018, RJFS received the Power of Attorney that CL
7 had executed in 2006.

8 42. On February 20, 2018, the RJFS Account Transfers Department sent an email
9 to Dodds indicating that Dodds was to “cease all trading and activity on the account” of
10 CL because that account would be leaving RJFS. That same day, Dodds replied to that
11 email and stated, “Client is not aware of transfer, please stop per instructions of [CL]
12 Feb. 20 2018.” Other than Dodds’s assertion, there is no record that CL stated that she was
13 unaware of the transfer or that she instructed Dodds to remove the restriction on the
14 account.

15 43. Later on February 20, 2018, an investigator with the Senior & At-Risk Investors
16 section of the RJFS Compliance Department, emailed Dodds, apparently following a
17 telephone conversation, and told Dodds that he placed a restriction on CL’s accounts. The
18 investigator explained that the reason for the restriction originated with concerns that CL’s
19 accounts had been transferred out of the firm without her knowledge – per Dodds’s
20 representation – following RJFS’s receipt of the Power of Attorney. The investigator also
21 indicated he was making a referral to APS. The investigator suggested that Dodds speak
22 with CL to confirm that she did not initiate the account transfer or submit the Power of
23 Attorney, and requested that Dodds document all interactions related to CL’s account.

24 44. On February 21, 2018, Dodds responded to the above email from the
25 investigator and stated that CL’s “capacity is fine, but suffers from vision problems and
26 severe arthritis pain in her legs.” He admitted, “I have not met with the client in person for



1 several years.” He then again claimed, without support, that “Assets are being transferred
2 out [of RJFS] without client knowledge.”

3 45. On February 22, 2018, more than four months after a Senior Compliance
4 Examiner noted that he was “extremely concerned” about some of Dodds’s clients and
5 identifying Dodds’s excessive trading, RJFS issued an HSP to Dodds. Dodds signed the
6 HSP on March 5, 2018.

7 46. The HSP required, among other things: that Dodds would review the firm’s
8 Suitability policy; that Dodds would provide the Compliance Department with client notes
9 for 10 randomly selected solicited transactions documenting the rationale for the
10 recommendations made; that a “negative response letter” would be sent to a sample of five
11 clients to confirm that they spoke to Dodds the day of the transaction¹¹; and that Dodds
12 would be subject to electronic correspondence review by the Compliance Department.

13 47. On March 3, 2018, Dodds signed an acknowledgement that he reviewed the
14 RJFS policy regarding Suitability. That acknowledgement indicated, among other things,
15 that RJFS financial advisors must take notes for investment strategy recommendations to
16 document the rationale for their recommendations based on the facts and circumstances of
17 the client at the time they were made.

18 48. On or about April 3, 2018, RJFS received a Revocable Living Trust Agreement
19 for CL.

20 49. On April 5, 2018, the investigator removed the restrictions on CL’s accounts,
21 noting that APS found that concerns of exploitation of CL by her friend and trustee KD
22 were unsubstantiated.

23
24 ¹¹ RJFS used the term “negative response” to indicate that the firm would assume the clients spoke to Dodds
25 to authorize activity on their accounts unless the clients stated otherwise; a non-response was treated as an
26 affirmative approval from the clients. The letters provided clients with a list of transactions executed in the
client’s account during the preceding month and asked the client “to confirm that Mr. Dodds did in fact speak
with you on the date of the trades to confirm the transaction.” It appears no clients signed and returned these
letters.



1 50. On April 5, 2108, an RJFS Compliance Specialist sent an email to Dodds to
2 request trade notes on 10 transactions from March identified in the email. She requested
3 the “rationale for the recommendations made, including dates and time that you spoke to
4 the clients.” The Compliance Specialist indicated that she received the March 2018 trade
5 notes, but made no further notations about having reviewed them or her findings.

6 51. On April 30, 2018, the Circuit Court for the County of Jackson, Oregon
7 appointed a conservator and guardian for CL. The Court found that CL was incapacitated
8 and the appointment of a Guardian was necessary as a means of providing her continuing
9 care and supervision. The Court further found that CL was financially incapable and had
10 money or property that requires management or protection. The Court appointed as
11 guardian KD, who was CL’s attorney-in-fact from her Power of Attorney. The Court
12 appointed an entity as conservator.

13 52. On May 14, 2018, the Compliance Specialist requested from Dodds trade notes
14 on 10 (ten) transactions from April identified in an email. She again requested the
15 “rationale for the recommendations made, including dates and time that you spoke to the
16 clients.”

17 53. On May 16, 2018, the Compliance Specialist indicated that she reviewed
18 Dodds’s trade notes from the month of April 2018 in accordance with the HSP. The
19 Compliance Specialist stated that his handwritten notes “are a bit difficult to read but for
20 most of the buys, he is adding to the existing positions for growth and lowering the cost
21 basis.”

22 54. On June 6, 2018, the Compliance Specialist requested from Dodds trade notes
23 on 10 transactions from May identified in an email. She again requested the “rationale for
24 the recommendations made, including dates and time that you spoke to the clients.”

25 55. On June 8, 2018, the Compliance Specialist indicated that she had reviewed
26 additional trade notes Dodds submitted. She stated that the notes are “still difficult to read”



1 although she indicated that Dodds “is documenting notes on all trades.” It is not clear how
2 she determined Dodds was documenting his trades or drawing any conclusions from his
3 handwritten notes if she was not able to read those notes.

4 56. On June 28, 2018, the Compliance Specialist requested from Dodds trade notes
5 on 10 (ten) transactions from June identified in an email. She again requested the “rationale
6 for the recommendations made, including dates and time that you spoke to the clients.”
7 The Compliance Specialist entered a notation that she had reviewed the June trade notes
8 but made no further notations about that review or her findings.

9 57. These four (4) months of trade note reviews identified above appear to be the
10 only trade note reviews that RJFS performed pursuant to the HSP.

11 58. At all relevant times, all notes Dodds made regarding his trading activities were
12 handwritten. Dodds never used RJFS’s electronic note taking system. RJFS never required
13 Dodds to use that system, including during or after placing Dodds on the HSP. During the
14 HSP period, there is no written evidence that RJFS personnel contacted Dodds to request
15 that he write more legibly, type his notes, clarify the notes he made, or include in his notes
16 the information required by the firm’s Suitability policy or the HSP. Dodds never accepted
17 the Senior Compliance Advisor’s December 2017 invitation to use the voice dictation
18 software to take notes.

19 59. Despite the Senior Compliance Examiner’s Branch Examination Report finding
20 that there “was no evidence that proper documentation for Gary Dodds’ clients were being
21 maintained,” Dodds did not make sufficient changes to his notetaking during the HSP.
22 Moreover, Dodds’s notes were all handwritten and difficult to read.

23 60. On July 26, 2018, the Compliance Specialist sent an email to Dodds to inform
24 him that he had officially completed the HSP. The HSP had been in place for fewer than
25 six (6) months and RJFS reviewed four months of Dodds’s trade notes. During the course
26 of Dodds’s HSP, RJFS did not receive any customer complaints.



1 61. On September 18, 2018, a Division examiner conducted a for-cause
2 examination at the Bend Branch Office.

3 62. As of October 2018, in addition to CL, Dodds had more than 30 clients who
4 were 70 years of age or older (between 71 to 92 years old) for whom the primary investment
5 objective was growth rather than income. Growth objectives generally comprise more
6 equities, which Dodds could trade to generate commissions for himself, and are higher risk
7 as compared to income objectives, which comprise more bond or fixed-income securities,
8 are lower risk, and prioritize current income through interest or dividends. Of those 30
9 elderly clients' accounts with growth objectives, five (5) accounts were identified in the
10 Branch Examination Report as accounts of concern due to high levels of trading activity,
11 as noted above.

12 63. On January 24, 2019, an RJFS branch examiner issued a report following an
13 examination of the Bend Branch Office. That report concluded, among other things, that
14 two of Dodds's accounts, including one belonging to CL, "did not match the stated client
15 objectives and/or profile information." The report requested that Dodds "review the noted
16 accounts with your clients and determine if anything should be changed and, if necessary,
17 adjust accordingly." There is no evidence that Dodds or RJFS performed any such review
18 or made any changes.

19 64. In or about October 2018, the Bend Branch Office closed and Dodds ultimately
20 retired from RJFS in March 2019.

21 65. On or about May 13, 2019, Branch Manager 1 retired from RJFS.

22 66. The HSP reflects concerns that Dodds did not comply with FINRA Know Your
23 Customer and Suitability rules.¹² Moreover, Dodds did not follow RJFS's requirements for
24 documentation of potential liquidity needs, the rationale for explicit hold
25 recommendations, and investment strategy recommendations.

26 ¹² FINRA rules 2090 and 2111, respectively.



1 67. RJFS has created and maintains various policies and procedures.

2 68. The RJFS Suitability Policy¹³ states: “Financial advisors must have a
3 reasonable basis for recommending transactions involving securities, investment strategies,
4 or explicit hold recommendations to a client of particular investor.” It states the following
5 factors to consider may include but are not limited to: the client’s age, other investments,
6 financial situation and needs, investment objectives, investment experience, investment
7 time horizon, liquidity needs, risk tolerance, account type, the client’s domicile, and any
8 other relevant information. The Suitability Policy also states: “Documentation regarding
9 the circumstances for recommended transactions involving securities, investment
10 strategies, or explicit hold recommendations to a client or potential investor should be
11 maintained by the advisor.” Finally, the Suitability Policy requires the Branch/Supervisory
12 Manager to review and approve trades for advisors under their supervision and to identify
13 and address suitability concerns, and Regional Supervisors review the Branch Manager’s
14 activity.

15 69. The RJFS Active Trading Policy defines churning: “Churning is excessive
16 trading of a client’s account, typically for the sole purpose of generating commissions.”
17 Moreover, the “branch manager is responsible for reviewing Supervisory Workstation and
18 client monthly statements to detect any evidence of excessive trading. If ‘churning’ is
19 suspected in an account, the branch manager should immediately notify the Compliance
20 department.” Whenever there are accounts that “appear to be actively traded,” there must
21 be increased communications with the client, which “should be documented to ensure that
22 a written record exists that adequately explains the activity as it relates to the clients stated
23 goals and objectives.” When such activity is detected, RJFS may send an activity disclosure
24 letter [Active Trade Letter]. Finally, this Policy states: “Accounts noted as actively traded
25

26 ¹³ Unless otherwise noted, all referenced policies and procedures were in effect at the time the events stated herein took place.

1 may have activity which appears to be inappropriate for a client’s objectives, experience
2 or financial situation.”

3 70. On August 24, 2020, the Division entered into a consent order with RJFS in
4 connection with this matter. As part of that consent order, RJFS agreed to pay a civil
5 penalty and to make restitution payments to the five clients in the chart outlined above in
6 Paragraph 34 for the commissions they paid as reflected in that chart.

7 CONCLUSIONS OF LAW

8 The Director CONCLUDES that:

9 71. Under ORS 59.015(1), RJFS is a “broker-dealer.”

10 72. Under ORS 59.015(18)(a), Dodds is a “salesperson.”

11 73. Under OAR 441-175-0010(1), Dodds was an “associated person” of RJFS.

12 74. Under ORS 59.015(19)(a), “security” means a note, stock, treasury stock, bond,
13 or, in general, any interest or instrument commonly known as a “security.”

14 75. The investments contained in the accounts Dodds and RJFS managed, including
15 those belonging to CL and other identified in the chart above, constitute “securities” under
16 ORS 59.015(19)(a).

17 76. Under OAR 441-205-0140, it shall constitute a “Fraudulent, Deceptive, or
18 Manipulative Act or Practice,” as used in these rules, for any broker-dealer or associated
19 person to recommend to a customer the purchase, sale, or exchange of any security, unless
20 such broker-dealer or associated person shall have reasonable grounds to believe that the
21 recommendation is suitable for such customer on the basis of information furnished by
22 such customer after reasonable inquiry concerning the customer’s investment objectives,
23 financial situation and needs and any other information known by such broker-dealer or
24 associated person.

25 77. By recommending the purchase, sale, or exchange of securities to his clients,
26 including CL, without having reasonable grounds to believe that the recommendations

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1 were suitable to them on the basis of information furnished by those clients after reasonable
2 inquiry concerning her investment objectives, financial situation, and needs and any other
3 information known by Dodds, Dodds engaged in a fraudulent, deceptive, or manipulative
4 act or practice in violation of OAR 441-205-0140.

5 78. By trading in his clients' accounts, including CL's accounts, with excessive
6 frequency in view of the financial resources, investment objectives, and character of those
7 accounts while he was in a position to directly benefit from the number of securities
8 transactions effected, Dodds engaged in churning or excessive trading.

9 79. Churning or excessive trading constitutes dishonest, fraudulent, or illegal
10 practices or conduct and unfair or unethical practices or conduct in connection with the
11 purchase or sale of securities

12 80. Under ORS 59.135(2), it is unlawful for any person, directly or indirectly, in
13 connection with the purchase or sale of any security or the conduct of a securities business
14 or for any person who receives any consideration from another person primarily for
15 advising the other person as to the value of securities or their purchase or sale, whether
16 through the issuance of analyses or reports or otherwise, to make any untrue statements of
17 material fact or to omit to state a material fact necessary to make the statements true, in the
18 light of the circumstances under which they are made, not misleading.

19 81. By recommending the purchase, sale, or exchange of securities to his clients,
20 including CL, without having reasonable grounds to believe that those recommendations
21 were suitable and thereby engaging in a fraudulent, deceptive, or manipulative act or
22 practice, Dodds made untrue statements of material fact or omitted to state material facts
23 necessary to make the statements true, in violation of ORS 59.135(2).

24 82. Under ORS 59.135(3), it is unlawful for any person, directly or indirectly, in
25 connection with the purchase or sale of any security or the conduct of a securities business
26 or for any person who receives any consideration from another person primarily for



1 advising the other person as to the value of securities or their purchase or sale, whether
2 through the issuance of analyses or reports or otherwise, to engage in any act, practice, or
3 course of business which operates or would operate as a fraud or deceit upon any person.

4 83. By recommending the purchase, sale, or exchange of securities to his clients,
5 including CL, without having reasonable grounds to believe that those recommendations
6 were suitable and thereby engaging in a fraudulent, deceptive, or manipulative act or
7 practice, Dodds engaged in an act, practice, or course of business which operates or would
8 operate as a fraud or deceit on any person, in violation of ORS 59.135(3).

9 84. By engaging in churning or excessive trading when he recommended and
10 executed trades with excessive frequency in view of the financial resources, investment
11 objectives, and character of his clients' accounts, including CL's account, while he was in
12 a position to directly benefit from the number of securities transactions effected, Dodds
13 engaged in an act, practice, or course of business which operates or would operate as a
14 fraud or deceit on any person, in violation of ORS 59.135(3).

15 85. Under ORS 59.995(1)(a), any person who violates or who procures, aids, or
16 abets the violation of ORS 59.005 to 59.505, 59.710 to 59.830, 59.991 and 59.995, or any
17 rule or order of the Director shall be subject to a penalty of not more than \$20,000 for every
18 violation, which shall be paid to the General Fund of the State Treasury.

19 86. Under ORS 59.995(2), every violation described in subsection (1)(a) of this
20 section is a separate offense and, in the case of a continuing violation, each day's
21 continuance is a separate violation, but the maximum penalty for any continuing violation
22 shall not exceed \$100,000.

23 87. Dodds engaged in excessive trading or churning and failed to make
24 recommendations and trades that were suitable in his clients' accounts, including CL, from
25 at least April 29 2016 until November 1, 2018. Therefore, Dodds continuously violated
26 OAR 441-205-0140 during that time.



1 **ORDERS**

2 The Director ISSUES the following ORDERS:

3 Order to Cease and Desist

4 88. Pursuant to ORS 59.245(4), the Director hereby ORDERS Dodds, and all
5 entities owned or controlled by Dodds, his successors and assignees, to CEASE AND
6 DESIST from violating OAR 441-205-0140 and ORS 59.135(2) and (3).

7 Order Assessing Civil Penalties

8 89. Pursuant to the authority of ORS 59.995(1), the Director hereby ORDERS the
9 assessment of one hundred thousand dollars (\$100,000) of civil penalties against Dodds
10 for continuously violating OAR ORS 59.135(2), ORS59.135(3), and OAR 441-205-0140
11 from April 29, 2016 to November 1, 2018.

12 90. The Director SUSPENDS collection of seventy thousand dollars (\$70,000) of
13 the foregoing civil penalties, provided:

14 A. Dodds pays the remaining thirty thousand dollars of civil penalties (\$30,000) as
15 set forth below;

16 B. Dodds agrees to refrain from applying for any license or registration in Oregon
17 that is administered or regulated by the Division, including but not limited to the
18 following: investment advisor, investment advisor representative, broker-dealer, securities
19 salesperson, insurance producer, mortgage broker, or any other securities, insurance,
20 consumer finance, collection agency, or mortgage lending license or registration;

21 C. Dodds complies with all terms of this Consent Order and the Oregon Securities
22 Law.

23 91. Dodds shall pay the foregoing thirty thousand dollars (\$30,000) of civil
24 penalties as follows:

25 A. Ten thousand dollars (\$10,000) shall be submitted at the time Dodds returns
26 this executed Consent Order;

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1 B. Twenty thousand dollars (\$20,000) shall be submitted on or before January 29,
2 2021.

3 92. The civil penalties shall be allocated as follows: twenty-five thousand dollars
4 (\$25,000) shall be allocated as a civil penalty to the General Fund of the Oregon State
5 Treasury and five thousand dollars (\$5,000) shall be allocated to the Department of
6 Consumer and Business Services Consumer Financial Education Account. The Division
7 will allocate the payments accordingly. Dodds shall make all checks payable to
8 “Department of Consumer and Business Services.”

9 93. The Director agrees to waive the foregoing suspended seventy thousand dollars
10 (\$70,000) of civil penalties at the end of a period of five (5) years from the effective date
11 of this Consent Order provided that Dodds complies with the Oregon Securities Law and
12 the terms and conditions of this Order, including but not limited to making timely civil
13 penalty payments as outlined above. If Dodds fails to comply with the Oregon Securities
14 Law, fails to make timely civil penalty payments, or otherwise fails to comply with the
15 terms and conditions of this Consent Order, then the suspended portion of the civil penalty
16 shall become immediately due and payable.

17 **NONDISCHARGEABILITY**

18 94. Dodds agrees the facts and violations set forth in this Order may be taken as
19 true without further proof in any bankruptcy case or subsequent civil litigation the Director
20 may pursue to enforce its rights to any payment or money judgment under the terms of this
21 Order, including but not limited to, any nondischargeability complaint in any bankruptcy
22 proceeding and that this Order shall have collateral estoppel effect in any bankruptcy case.

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FINAL ORDER

95. This Order is a “Final Order” under ORS 183.310(6)(b). Subject to that provision, entry of this Order in no way limits or prevents further remedies, sanctions, or actions which may be available to the Director under Oregon law to enforce this Order, for violations of this Order, for conduct or actions of Dodds that are not covered by this Order, or against any party not covered by this Order.

IT IS SO ORDERED.

Dated this 9th day of January, 2021.

ANDREW R. STOLFI, Director
Department of Consumer and Business Services

/s/ Dorothy Bean
Dorothy Bean, Chief of Enforcement
Division of Financial Regulation

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CONSENT TO ENTRY OF ORDER

I, Gary Dodds, have read the foregoing Order and ,without admitting or denying the factual allegations stated herein, I know and fully understand the contents hereof. I have been advised of the right to a hearing and of the right to be represented by counsel in this matter, and I have been represented by counsel. I voluntarily consent to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter, as well as any rights to administrative or judicial review of this order. I understand that the Director reserves the right to take further action against me to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon Securities Law. I will fully comply with the terms and conditions stated herein.

I understand that this Order is a public document.

Signature: /s/ Gary Dodds

State of Oregon

County of Deschutes

Signed or attested before me on this 29 day of December, 2020

by Gary Brian Dodds.

/s/ Ashley Masters

Notary Public

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