

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING) Order Number S-06-085-09-SC02
5 whether there has been a violation of the) Amending S-06-085-07-SC01
6 Securities Act of Washington by:)
7 William Doman,) AMENDED STATEMENT OF CHARGES
8) AND NOTICE OF INTENT TO ENTER
9) ORDER TO SUSPEND SECURITIES
10) SALESPERSON LICENSE, TO IMPOSE
11) FINES, AND TO CHARGE COSTS
12 _____ Respondent)

13 **STATEMENT OF CHARGES**

14 On March 13th, 2008, the Securities Administrator of the State of Washington issued a
15 Statement of Charges and Notice of Intent to Enter Order to Suspend Securities Salesperson
16 License, to Impose Fines, and to Charge Costs, S-06-085-07-SC01, hereinafter referred to as the
17 "Statement of Charges." After the entry of the Statement of Charges, certain information came
18 to the attention of the Securities Administrator that requires the amendment of the Statement of
19 Charges.

20 Please take notice that the Securities Administrator of the State of Washington has reason
21 to believe that Respondent, William Doman, has violated the Securities Act of Washington and
22 that his violations justify the entry of an order of the Securities Administrator under RCW
23 21.20.110 to suspend his securities salesperson license, to impose fines, and to charge costs. The
24 Securities Administrator finds as follows:

AMENDED STATEMENT OF CHARGES AND
NOTICE OF INTENT TO ENTER ORDER TO
SUSPEND SECURITIES SALESPERSON LICENSE,
TO IMPOSE FINES, AND TO CHARGE COSTS.

1

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 **TENTATIVE FINDINGS OF FACT**

2 *Respondent*

3 1. William Larry Doman (“Doman”) was a registered a securities salesperson in the State
4 of Washington. His Financial Industry Regulatory Authority (“FINRA”) securities salesperson
5 identification number is 831804. Doman was employed at the Yakima office of Metropolitan
6 Life Securities and Metropolitan Life Insurance Company (“MetLife”) from 1974 to 2008. In
7 December 2004, Doman retired from MetLife; however he has special agent status with
8 MetLife which allows him to continue to sell life insurance and securities.

9 *Background*

10 2. The Securities Division investigated Doman’s sales of securities during a two year
11 period from January 2004 to December 2006. During the period, he did not sell any securities
12 other than variable annuities. Generally, variable annuities pay a higher commission than other
13 types of securities. Additionally, MetLife pays a higher sales commission for variable
14 annuities than fixed annuities.

15 3. During the period, Doman sold at least 65 variable annuity contracts. Over 50% of the
16 variable annuities Doman sold were to customers 65 years old or older. Further, 35% of the
17 variable annuities Doman sold were to customers 75 years old or older.

18 4. Doman sold one type of variable annuity contact. It was deferred, which means that it
19 had two phases -- an investment phase and an annuitization phase. It also had a seven year
20 surrender period meaning that during the first seven years of ownership the customer was
21 charged a fee to make withdrawals from the variable annuity in certain circumstances. For
22 instance, the customer may not withdraw more than 10% of the principal value in one year
23 without paying a surrender fee. In view of the surrender charge, before the variable annuity

1 was purchased it should be determined that the investor had adequate liquidity and resources
2 outside of the variable annuity so as to avoid surrendering the variable annuity based on the
3 need for immediate funds.

4 *Nature of the Offering*

5 5. During his sales presentations, Doman provided inaccurate or incomplete information to
6 his customers.

7 6. Doman recommended the purchase of a variable annuity for reasons that were
8 inconsistent with the investors' financial objectives. For instance, when speaking with at least
9 one investor, FP, who needed an investment that would provide immediate income to pay living
10 expenses, Doman recommended the variable annuity so that the investor could avoid probate
11 even though the liquidity of variable annuities is limited because of surrender charges.

12 7. Doman recommended that customers RA, CJ and FP each transfer their individual
13 retirement accounts ("IRA") at another company to MetLife and purchase a variable annuity
14 with the funds. Because investments in an IRA are already tax deferred there are no added tax
15 deferment benefits for placing the funds in a variable annuity.

16 8. Doman recommended to customer FP, who had an annuity at another company, that she
17 exchange it for a MetLife variable annuity which resulted in FP suffering surrender charges. On
18 the annuity replacement and transfer disclosure form, Doman indicated that there were no
19 surrender charges for the variable annuity. In addition, Doman wrote that FP "feels the charges
20 on her existing account are higher than her earnings- wants to get all her assets in a fixed interest
21 account." This statement was false or misleading because FP told Doman that she wanted to
22 avoid the charges on her brokerage account, not the existing variable annuity, and because the
23

1 statements were made on the annuity replacement and transfer disclosure form it implied that the
2 charges FP wanted to avoid were in the variable annuity being replaced.

3 9. After conducting its investigation, the Securities Division found that sales to at least
4 nine customers were unsuitable recommendations. These customers include DC, VD, SH, CJ,
5 SM, FP, DS, MS, and AW.

6 10. Doman was required to have reasonable grounds to believe that his recommendation to
7 purchase a variable annuity was suitable. Therefore, before Doman sold a variable annuity, he
8 should have considered several factors including the customer's financial situation and needs.
9 Doman should have also considered the customer's income and net worth to determine if the
10 customer had adequate financial resources outside of the variable annuity so that the variable
11 annuity would not need to be surrendered, in part or in full, based on the need for immediate
12 funds.

13 11. Doman offered and sold variable annuities to at least 4 customers where the product did
14 not match the financial objectives of the customers. Investors VD, FP, DS and AW were all
15 seeking investments that provided liquidity.

16 12. In connection with these offer and sales, Doman completed the product application for
17 customers EA, HC, DC, SH, CJ, FP, DS, MS, and AW prior to the sale of the variable annuity.

18 13. In completing the product application, Doman frequently misrepresented the
19 information regarding the customers. Doman misrepresented the age of customer CA, the net-
20 worth of customers RA, HC, DC, SH, CJ, SM, FP, MS, DS and AW, and the net-worth and
21 income of VD.

1 14. Doman's practice of misrepresenting the customers' net worth, age, income, and
2 purpose of the annuity contract on the product applications increased the likelihood that the
3 variable annuity would pass a suitability review at MetLife.

4 15. In connection with the offer and sale of the variable annuities, Doman was involved in
5 exchanging an existing variable annuity for the variable annuity he was selling.

6 16. Doman offered and sold a replacement variable annuity to FP for whom the
7 replacement variable annuity was unsuitable.

8 17. In connection with the annuity replacement and transfer, Doman submitted incomplete
9 and misleading information to MetLife for FP.

10 Based on the foregoing Tentative Findings of Facts, the following Conclusions of Law are made:

11 **CONCLUSIONS OF LAW**

12 1. The offers and/or sales of the variable annuities described above constitute the offer or
13 sale of a security as defined in RCW 21.20.005(10) and (12).

14 2. The offer and/or sale of said securities was made in violation of RCW 21.20.010 and was
15 a dishonest or unethical business practice under RCW 21.20.110(1)(g) and WAC 460-22B-090
16 because, as set forth above, in connection with the offer of the security, Respondent made untrue
17 statements of material fact, engaged in manipulative or deceptive practices, and/or omitted to
18 state material facts necessary in order to make the statements made, in light of the circumstances
19 in which they were made, not misleading. Such conduct is grounds for the suspension of a
20 securities salesperson license and a fine pursuant to RCW 21.20.110(1)(b).

21 3. The offer and/or sale of said securities were made in violation of RCW 21.20.702 and
22 was a dishonest or unethical business practice under RCW 21.20.110(1)(g) and WAC 460-22B-
23 090(7) because, as set forth above, Respondent recommended the purchase, sale, or exchange of

1 a security without reasonable grounds to believe that the recommendation was suitable. Such
2 conduct is grounds for the suspension of a securities salesperson license and a fine pursuant to
3 RCW 21.20.110(1)(b).

4 4. In submitting false or misleading client information forms, Respondent, William Doman,
5 caused MetLife's books and records to be inaccurate in violation of NASD Conduct Rule 3110.
6 Such conduct is a dishonest or unethical business practice as defined by WAC 460-22B-090(19)
7 and is grounds for the suspension of a securities salesperson license and a fine pursuant to RCW
8 21.20.110(1)(b).

9 **NOTICE OF INTENT TO SUSPEND SECURITIES SALESPERSON LICENSE**

10 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and
11 Conclusions of Law, the Securities Administrator intends to order that the securities salesperson
12 license of Respondent, William Doman, be suspended for a period of one (1) year from the entry
13 of the final order in this matter.

14 **NOTICE OF INTENT TO IMPOSE FINES**

15 Pursuant to RCW 21.20.110(1), and based upon the Tentative Findings of Fact and
16 Conclusions of Law, the Securities Administrator intends to order that Respondent, William
17 Doman, shall be liable for and pay a fine of \$60,000.

18 **NOTICE OF INTENT TO CHARGE COSTS**

19 Pursuant to RCW 21.20.110(7), and based upon the Tentative Findings of Fact and
20 Conclusions of Law, the Securities Administrator intends to order that Respondent, William
21 Doman, shall be liable for and pay the costs, fees, and other expenses incurred in the conduct of
22 the investigation of this matter in an amount not less than \$5,000.

1 **AUTHORITY AND PROCEDURE**

2 This Statement of Charges is entered pursuant to the provisions of the Securities Act and
3 is subject to the provisions of Chapter 21.20 RCW and RCW 34.05. The Respondent, William
4 Doman, may make a written request for a hearing as set forth in the NOTICE OF
5 OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this
6 order.

7 If the Respondent does not request a hearing, the Securities Administrator intends to
8 adopt the above Tentative Findings of Fact and Conclusions of Law as final and enter a
9 permanent order to suspend the Respondent’s securities salesperson license, impose fines, and
10 charge costs set forth in this Statement of Charges.

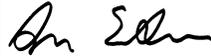
11 Dated and Entered this 19th day of May, 2009.

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14 MICHAEL E. STEVENSON
15 Securities Administrator

16 Approved by:

Presented by:

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19 Suzanne Sarason
20 Chief of Enforcement

21 Tyler Letey
22 Financial Legal Examiner