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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

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IN THE MATTER OF DETERMINING) Order No.: S-17-2275-19-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND NOTICE OF
Richard O. Johnson II,) INTENT TO ENTER ORDER TO CEASE AND
Respondent.) DESIST, TO DENY FUTURE REGISTRATIONS, TO
IMPOSE A FINE, AND TO CHARGE COSTS
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THE STATE OF WASHINGTON TO: Richard O. Johnson II (CRD No. 854410)

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondent Richard O. Johnson II has violated the Securities Act of Washington. The Securities Administrator believes those violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against the Respondent Richard O. Johnson II to cease and desist from such violations and to charge costs, to impose a fine under RCW 21.20.395, and to deny certain registrations Respondent Richard O. Johnson II may seek in the future pursuant to RCW 21.20.110(1). The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Richard O. Johnson II (Johnson) has a business address in Northport, Washington. Johnson is a resident insurance producer licensed to do business in the state of Washington and has been licensed in Washington State since November 18, 1996. Johnson was previously registered as an investment adviser representative of Brookstone Capital Management LLC between February 2008 and November 2009.

Past Disciplinary Action

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2 2. On July 23, 2014, the Securities Division entered a Statement of Charges against Johnson. Among
3 other issues, the Securities Division alleged that Johnson violated the law when he acted as an investment
4 adviser without proper registration, or exemption from registration, by verbally representing himself to be a
5 financial planner and by holding himself out as a “certified financial planner.” On December 9, 2014, the
6 Securities Division entered into a Consent Order with Johnson to settle the Statement of Charges. In this
7 Consent Order, Johnson agreed to cease and desist from unlawfully holding himself out as a financial
8 planner.

9 3. On August 15, 2017, the State of Washington Office of the Insurance Commissioner entered into a
10 Consent Order with Johnson. The underlying basis for this Consent Order included that Johnson unlawfully
11 held himself out to be a certified financial planner when he was not registered to do so.

Nature of the Conduct

13 4. From at least August 2014 to May 2017, Johnson solicited teachers from the Spokane Public Schools
14 to perform financial planning for them.

15 5. During this period, Johnson’s income was derived exclusively from insurance sales. In order to
16 attract potential customers, Johnson offered teachers a complimentary financial needs analysis, a retirement
17 analysis, and a risk management analysis. In order to produce these reports, Johnson collected financial
18 information from the potential customers. One of these reports was a Gap Analysis Report, which intended
19 to show customers the gap between their current retirement finances and their desired retirement finances.
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21 6. During this period, Johnson provided customers with investment advice. Johnson advised at least one
22 teacher to take money from her current retirement plan and roll it over into the purchase of a structured
23 annuity. Johnson also provided teachers with recommendations as to which investment fund they should
24 choose for their defined contribution portion of their Teachers’ Retirement System Plan.
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1 7. Johnson often communicated with his customers via email. From at least August 2014 to May 2017,
2 Johnson included “Certified Financial Planner” in the signature line of his emails to customers. Johnson
3 sent emails to customers that represented that he was “an independent financial advisor” and that he earned
4 his “CFP over 35 years ago”. This conduct is in direct violation of the cease and desist order he had entered
5 into with the Securities Division in July 2014.

6 8. In early 2016, Johnson provided at least one customer with his business card. The card stated that
7 Johnson was a “Certified Financial Planner,” even though Johnson has never been granted this designation
8 by the Certified Financial Planner Board of Standards, Inc. This conduct is in direct violation of the cease
9 and desist order he had entered into with the Securities Division in July 2014.

10 Registration Status

11 9. Johnson is not currently registered as an investment adviser or investment adviser representative in
12 the state of Washington.

13 **CONCLUSIONS OF LAW**

14 Based upon the above Findings of Fact, the following Conclusions of Law are made:

15 1. Richard O. Johnson II has acted as an investment adviser, as defined in RCW 21.20.005(8), by
16 representing himself to be a financial planner and by holding himself out as a “certified financial planner.”
17 By doing so while not registered as an investment adviser, or exempt from such registration, in the State of
18 Washington, Richard O. Johnson II has violated RCW 21.20.040(4).

19 2. Richard O. Johnson violated an administrative order issued under RCW 21.20.110 and RCW
20 21.20.390.
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1 **NOTICE OF INTENT TO ENTER ORDER TO CEASE AND DESIST**

2 Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator
3 intends to order, pursuant to RCW 21.20.390(1), that Respondent Richard O. Johnson II and his agents and
4 employees each cease and desist from violations of RCW 21.20.040.

5 **NOTICE OF INTENT TO DENY FUTURE REGISTRATIONS**

6 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and
7 Conclusions of Law, the Securities Administrator intends to order that any future securities registration
8 applications of Respondent Richard O. Johnson II as an investment adviser, broker-dealer, investment
9 adviser representative, or securities salesperson shall be denied.

10 **NOTICE OF INTENT TO IMPOSE A FINE**

11 Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions
12 of Law, the Securities Administrator intends to order that Respondent Richard O. Johnson II shall be liable
13 for and shall pay a fine of \$10,000.

14 **NOTICE OF INTENT TO CHARGE COSTS**

15 Pursuant to RCW 21.20.390, and based upon the above Tentative Findings of Fact and Conclusions
16 of Law, the Securities Administrator intends to order that Respondent Richard O. Johnson II shall be liable
17 for and shall pay the costs, fees, and other expenses incurred in the administrative investigation and hearing
18 of this matter in an amount not less than \$2,000.

19 **AUTHORITY AND PROCEDURE**

20 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject
21 to the provisions of Chapter 34.05 RCW. Respondent Richard O. Johnson II may make a written request for
22 a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR
23 HEARING accompanying this Order. If the respondent does not make a hearing request in the time allowed,
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1 the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law
2 as final and to enter a permanent order to cease and desist as to the respondent, to impose any fines sought
3 against the respondent, and to charge any costs sought against the respondent.

4 Signed and Entered this 3rd day of July 2019.

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9 _____
10 William M. Beatty
11 Securities Administrator

12 Approved by:

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15 Suzanne Sarason
16 Chief of Enforcement

17 Presented by:

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20 Brian J. Guerard
21 Financial Legal Examiner