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

IN THE MATTER OF DETERMINING  
Whether there has been a violation  
of the Securities Act of Washington by:

JAMES B. GOODROW,

Respondent.

SDO - 100 - 02

STATEMENT OF CHARGES AND NOTICE  
OF INTENT TO ENTER AN ORDER  
SUSPENDING SECURITIES  
SALESPERSON AND INVESTMENT  
ADVISER REPRESENTATIVE  
REGISTRATION

Case No. 02-05-200

THE STATE OF WASHINGTON TO: James B. Goodrow, CRD #225417

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondent, James B. Goodrow, has engaged in dishonest and unethical practices in the securities business while employed as a registered securities salesperson and investment adviser representative for American Express Financial Advisors Inc. and IDS Life Insurance Company, and that those practices justify the suspension of Respondent's securities salesperson's registration and investment adviser representative registration pursuant to RCW 21.20.110(1)(g). The Securities Administrator finds as follows:

**TENTATIVE FINDINGS OF FACT**

**I. Respondents**

1. **JAMES B. GOODROW** ("Goodrow") has been registered with the state of Washington as a securities salesperson and investment adviser representative since October of 1970. Goodrow has been employed with IDS Life Insurance Company ("IDS") and American Express Financial Advisors Inc.

STATEMENT OF CHARGES AND NOTICE OF INTENT  
TO ENTER AN ORDER SUSPENDING SECURITIES  
SALESPERSON AND INVESTMENT ADVISER  
REGISTRATION

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

1 (“American Express”) during that period of time. Goodrow is also a Washington state licensed insurance  
2 agent and resides in Anacortes, Washington.

3 **II. Nature of the Conduct**

4 2. Mrs. A<sup>1</sup>, a Washington resident, had been a client of Goodrow’s for approximately twenty-  
5 five years prior to her death in March of 2000. At the time of her death, Mrs. A was an eighty-five year  
6 old widow with three surviving sons. Goodrow provided Mrs. A with financial services on several  
7 occasions, including assisting her with the purchase of life insurance and annuities. Goodrow was Mrs.  
8 A’s sole financial advisor during this period of time.

9 3. Upon Goodrow’s recommendation, Mrs. A purchased three IDS Life Insurance Company  
10 (“IDS”) Fixed annuity contracts on or about August 24, 1987. Each of Mrs. A’s sons was designated as a  
11 sole beneficiary to one annuity contract.

12 4. On March 23, 1994, Mrs. A executed a document entitled *Durable General Power of*  
13 *Attorney* granting one of Mrs. A’s sons a durable general power of attorney. The document also granted  
14 a second son a durable general power of attorney in the event the first son was unavailable, unable, or  
15 unwilling to act.

16 5. On or about October 1, 1996, upon Goodrow’s recommendation Mrs. A signed a form entitled  
17 *Request For Exchange To A Fixed Retirement Annuity – Value Plus (FRA-VP)*. The purpose of this form  
18 was to exchange the three IDS Life Fixed annuity contracts for three IDS Life Fixed Retirement Annuity  
19 Value Plus annuity contracts.

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22 <sup>1</sup> The person’s full name is omitted for the purposes of privacy protection.

1           6.    On or about January 20, 2000, Mrs. A was admitted to a hospital while suffering from  
2 pneumonia, malnutrition, and other serious ailments. Her eyesight was also very poor.

3           7.    Sometime in January of 2000, a meeting was held between Goodrow and Mrs. A's sons.  
4 Mrs. A's sons explained to Goodrow that their mother wanted each of her sons to be made the sole owner  
5 of one IDS annuity contract.

6           8.    On or about January 21, 2000, Goodrow recommended that two of Mrs. A's sons sign a  
7 form entitled *Change of Ownership* for each annuity to effectuate the change of ownership of the IDS  
8 annuity contracts. Mrs. A's sons signed these forms as attorneys-in-fact for their mother, in reliance on  
9 the durable general power of attorney granted to them in 1994.

10          9.    On or about January 31, 2000, Mrs. A was discharged from the hospital and admitted to a  
11 nursing home while still in poor health. Upon her admittance to the nursing home, Mrs. A signed a CPR  
12 advance directive. Mrs. A was unable to sign the form in the space provided. The signature is four  
13 inches wide and barely legible, and sprawls across the text of the form.

14          10.   Three letters dated February 1, 2000 were sent to Goodrow from IDS/American Express  
15 pertaining to each annuity contract. These letters were not sent to Mrs. A or her sons. The letters  
16 indicated that the terms of the power of attorney relied upon by Mrs. A's sons were too vague in regard  
17 to a specific power by the principal to grant assets. As a result, IDS/American Express rejected the  
18 request to transfer the ownership of the three annuity contracts.

19          11.   Shortly after receiving the letters referred in paragraph 10, Goodrow met with Mrs. A's  
20 sons and suggested that ownership of the annuity contracts not be changed. Instead, Goodrow suggested  
21 that the annuity contracts be surrendered and their full value be divided and transferred to the sons'  
22

1 individual accounts. Mrs. A's sons were focused on caring for their ailing mother, and did not question  
2 Goodrow as to this revised course of action.

3 12. On or about February 3, 2000, Mrs. A's three annuity contracts were surrendered and the  
4 proceeds of \$124,698 were transferred to her American Express account. Goodrow completed these  
5 transactions via telephone without Mrs. A's knowledge or authorization. These transactions were also  
6 completed in violation of American Express's own internal policy in regard to telephone transactions by  
7 their financial advisors. American Express policy required prior written authorization by a customer to  
8 enable the company to accept telephone instructions from a financial advisor on behalf of that customer.  
9 No such written authorization from Mrs. A has been produced by either American Express or Goodrow.  
10 Goodrow did not discuss this transaction at any time with Mrs. A prior to her death. The surrender of the  
11 three annuities resulted in the assessment of total surrender charges of \$4,800.10.

12 13. On or about February 3, 2000, \$1,500 was redeemed from Mrs. A's account via a check  
13 made payable to her son. The signature on the form is legible, in a firm hand, on the correct line of the  
14 form, fits completely in the small space provided, and does not resemble Mrs. A's signature described in  
15 paragraph 9. Goodrow completed this transaction without directly consulting Mrs. A.

16 14. On or about February 7, 2000, Goodrow caused Mrs. A's account to be completely  
17 liquidated and transferred her funds to the accounts of her three sons. The signature on the form is  
18 legible, in a firm hand, on the correct line of the form, fits completely in the small space provided, and  
19 does not resemble Mrs. A's signature described in paragraph 9. Goodrow completed this transaction  
20 without directly consulting Mrs. A.



1 If the Respondent does not request a hearing, the Securities Administrator intends to adopt the  
2 foregoing Tentative Findings of Fact and Conclusions of Law as final, and enter an order suspending the  
3 Respondent's securities salesperson registration and investment adviser representative registration.

4 DATED this 4th day of November 2002.

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8 DEBORAH R. BORTNER  
9 Securities Administrator

10 Approved by:

Presented by:

11  
12 \_\_\_\_\_  
13 Michael E. Stevenson  
14 Chief of Enforcement

15 \_\_\_\_\_  
16 Chad Standifer  
17 Staff Attorney