

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

4 IN THE MATTER OF DETERMINING) Order No.: S-19-2632-19-SC01
5 Whether there has been a violation of the)
6 Securities Act of Washington by:) STATEMENT OF CHARGES AND NOTICE OF INTENT
7 Donald Logan) TO ENTER ORDER TO CEASE AND DESIST, TO
8) CHARGE COSTS, TO IMPOSE A FINE, AND TO DENY
9 Respondent) FUTURE REGISTRATIONS
10)

11 **THE STATE OF WASHINGTON TO:** Donald Logan, CRD No. 5537486

12 **STATEMENT OF CHARGES**

13 Please take notice that the Securities Administrator of the State of Washington has reason to believe
14 that Respondent Donald Logan has violated the Securities Act of Washington. The Securities Administrator
15 believes that those violations justify the entry of an order under RCW 21.20.390 to cease and desist from such
16 violations, and to charge costs, and, pursuant to RCW 21.20.395, to impose a fine. The Securities
17 Administrator further believes that those violations justify the entry of an order, pursuant to RCW
18 21.20.110(1), to deny any future broker-dealer, securities salesperson, investment adviser, and investment
19 adviser representative registrations that Donald Logan may seek. The Securities Administrator finds as
20 follows:

21 **TENTATIVE FINDINGS OF FACT**

22 **Respondent**

23 1. Donald Logan (“Logan”) is a resident of Bremerton, Washington. Between May 2008 and July 2015,
24 Logan was registered with the Securities Division as a securities salesperson and investment adviser
25 representative of Edward Jones. Between October 2015 and October 2018, Logan was registered as a

1 securities salesperson and investment adviser representative of Waddell & Reed. Logan has a Central
2 Registration Depository (“CRD”) number of 5537486.

4 **Nature of the Conduct**

5 *Overview*

6 2. Both firms for which Logan was a registered representative terminated him. At each firm, Logan
7 exercised unauthorized discretion in client accounts. While registered with Waddell & Reed, Logan also
8 misused client forms, failed to disclose his financial interest in transactions that he recommended, and failed
9 to satisfy his obligation to update his Form U4 with accurate information.

10 *Exercising Unauthorized Discretion in Client Accounts*

11 3. In July 2015, Edward Jones filed a Form U5 that indicated that it had terminated Logan for exercising
12 unauthorized discretionary power by making trades for clients who had not authorized Logan to do so.

13 4. In March 2018, Waddell & Reed imposed a Plan of Special Supervision (the “Plan”) on Logan. The
14 Plan prohibited Logan from executing transactions on a client’s behalf without the client’s specific written
15 authorization before the transaction. However, by August 2018, Logan had made trades in at least three client
16 accounts without the clients’ prior written or oral authorization.

17 *Misuse of Client Forms*

18 5. Logan misused at least nine client forms while registered as a security salesperson and investment
19 adviser representative of Waddell & Reed. In doing so, Logan violated Waddell & Reed’s written supervisory
20 procedures. Logan instructed clients to sign five “Client Acknowledgement of Change in Investments”
21 (“Switch Forms”). Three of the Switch Forms were incomplete, and two were blank when Logan instructed
22 the clients to sign them. Logan instructed a client to sign two blank Journal Request forms. Logan instructed
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1 a client to sign an incomplete Account Transfer form. Logan also instructed a client to sign an incomplete
2 Rollover/Transfer Analysis form.

3 6. Logan altered and reused a form that he had directed a client to sign. Logan submitted an Account
4 Transfer form that a client had signed to Waddell & Reed. Waddell & Reed rejected the form. Logan then
5 altered the form, and resubmitted it with the same signature page eleven days later. Waddell & Reed rejected
6 this altered form as well.

7 *Failure to Disclose Interest in Recommended Transactions*

8 7. Logan advised a client to obtain a loan in order to pay off the client's credit card debt. The client acted
9 on Logan's advice by obtaining a \$15,000 loan. Logan then recommended that the client sell assets that he
10 managed in order to pay down the loan. The client agreed to sell those assets, and Logan received his usual
11 commission for executing these transactions. Logan did not disclose at the time that he suggested that the
12 client obtain a loan, or at the time that he suggested that the client sell assets that he managed to pay down the
13 loan, that he would receive his usual commission from the sales.

14 *Failure to Update Form U4 and False Filings with the Division*

15 8. In January 2012, the Kitsap County Superior Court (the "Kitsap Court") entered a civil judgment in
16 the amount of \$1,555 against Logan. In September 2012, the Kitsap Court entered a civil judgment in the
17 amount of \$290 against Logan. Logan did not update his Form U4 to include these judgments until June
18 2015. Moreover, Logan submitted at least six Forms U4 between June 2013 and June 2015 to the Division in
19 which he falsely represented that he had no unsatisfied judgments. In June 2018, the Kitsap Court entered a
20 civil judgment in the amount of \$5,186 against Logan. As of the date of this order, Logan has not updated
21 his Form U4 to reflect this judgment. Furthermore, Logan submitted two Forms U4 to the Division after the
22 entry of this judgment in which he falsely represented that he had no unsatisfied judgments.
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FINRA Action

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2 9. In February 2019, Logan and FINRA settled allegations that FINRA had made against Logan. In its
3 Letter of Acceptance, Waiver and Consent, FINRA alleged that Logan had exercised unauthorized discretion
4 in client accounts in violation of NASD Rule 2510(b) and FINRA Rule 2010. FINRA further alleged that
5 Logan executed unauthorized trades in client accounts in violation of FINRA Rule 2010, and that Logan
6 caused customers to sign blank and incomplete forms in violation of FINRA Rule 2010. FINRA also alleged
7 that Logan failed to update his Form U4 in violation of FINRA's bylaws, and FINRA Rules 1122 and 2010.
8 The settlement provided that Logan could not associate with a FINRA member firm for eighteen months, and
9 that Logan would pay a \$25,000 fine.

10 **CONCLUSIONS OF LAW**

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

12 1. The exercise of unauthorized discretion in client accounts is a dishonest or unethical practice as
13 defined at WAC 460-24A-220(4), and prohibited by RCW 21.20.020. Such conduct is a grounds, pursuant
14 to RCW 21.20.110(1)(1)(g), to deny any application for registration as an investment adviser or investment
15 adviser representative that Logan may seek in the future. Such conduct is also a dishonest or unethical practice
16 as defined by WAC 460-22B-090(9), and is a grounds, pursuant to RCW 21.20.110(1)(g), to deny any broker-
17 dealer or securities salesperson registration that Logan may seek in the future. Such conduct is also a violation
18 of NASD Rule 2510(b) and FINRA Rule 2010 and, therefore, an unethical practice as defined at WAC 460-
19 22B-090(19), and a separate grounds to deny any broker-dealer or securities salesperson registration that
20 Logan may seek in the future pursuant to RCW 21.20.110(1)(g).

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22 2. Instructing clients to sign blank or incomplete forms is a dishonest or unethical practice as defined at
23 WAC 460-24A-220, and prohibited by RCW 21.20.020. Such conduct is a grounds, pursuant to RCW
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1 21.20.110(1)(g), to deny any application for registration as an investment adviser or investment adviser
2 representative that Logan may seek in the future. Such conduct is also a dishonest or unethical practice as
3 defined by WAC 460-22B-090, and is a grounds pursuant to RCW 21.20.110(1)(g) to deny any broker-dealer
4 or securities salesperson registration that Logan may seek in the future. Such conduct is also a violation of
5 NASD Rule 2510(b) and FINRA Rule 2010 and, thereby, an unethical practice as defined at WAC 460-22B-
6 090(19), which is a separate grounds to deny any broker-dealer or securities salesperson registration that
7 Logan may seek in the future pursuant to RCW 21.20.110(1)(g).

8 3. Logan's failure to disclose his financial interest in a client selling securities that Logan managed in
9 order to pay down a loan that Logan recommended the client obtain is a dishonest or unethical practice as
10 defined by WAC 460-24A-220, and prohibited by RCW 21.20.020. Such conduct is a grounds, pursuant to
11 RCW 21.20.110(1)(g) to deny any investment adviser and investment adviser representative registrations that
12 Logan may seek in the future. Such conduct is also a dishonest or unethical practice as defined at WAC 460-
13 22B-090, and is a grounds to deny any broker-dealer or securities salesperson registration that Logan may
14 seek in the future pursuant to RCW 21.20.110(1)(g).

15 4. Logan violated WAC 460-22B-060 and WAC 460-24A-205(2) by failing to update his Form U4 with
16 the Securities Division. Such conduct is a grounds, pursuant to RCW 21.20.110(1)(b), to deny any investment
17 adviser, investment adviser representative, broker-dealer or securities salesperson registration that Logan may
18 seek in the future.

19 5. Pursuant to RCW 21.20.050, RCW 21.20.450, and WAC 460-24A-047, the submission of updates of
20 Logan's U4 constitute filings with the director for purposes of RCW 21.20.350. Logan violated RCW
21 21.20.350 by filing two Forms U4 with the Division in which he falsely represented that he had no unsatisfied
22 judgments. Such conduct is a grounds, pursuant to RCW 21.20.110(1)(b) to deny any investment adviser,
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1 investment adviser representative, broker-dealer or securities salesperson registrations that Logan may seek
2 in the future.

3 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

4 Pursuant to RCW 21.20.390(1) and based upon the above Tentative Findings of Fact and
5 Conclusions of Law, the Securities Administrator intends to order that Donald Logan shall cease and desist
6 from violations of RCW 21.20.020, and RCW 21.20.350.

7 **NOTICE OF INTENT TO CHARGE COSTS**

8 Pursuant to RCW 21.20.110(7) and 21.20.390, and based upon the Tentative Findings of Fact and
9 Conclusions of Law, the Securities Administrator intends to order that Donald Logan shall be liable for, and
10 shall pay, investigative costs of \$2,000.

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

12 Pursuant to RCW 21.20.110(1) and RCW 21.20.395, and based upon the above Tentative Findings of
13 Fact and Conclusions of Law, the Securities Administrator intends to order that Donald Logan shall be liable
14 for, and shall pay, a fine of \$10,000.

15 **NOTICE OF INTENT TO DENY REGISTRATIONS**

16 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and Conclusions
17 of Law, the Securities Administrator intends to order that any broker-dealer, securities salesperson, investment
18 adviser, and investment adviser representative registrations that Donald Logan may seek in the future will be
19 denied.
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21 **AUTHORITY AND PROCEDURE**

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

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8 Signed and Entered this 17th day of April, 2020.

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11 _____
12 William M. Beatty
13 Securities Administrator

14 Approved by:

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16 _____
17 Suzanne Sarason
18 Chief of Enforcement

19 Presented by:

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22 _____
23 Edward R. Thunen
24 Financial Legal Examiner

25 Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor