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

IN THE MATTER OF DETERMINING) Order No.: S-19-2632-20-CO01
Whether there has been a violation of the)
Securities Act of Washington by:) CONSENT ORDER
)
Donald Logan)
)
Respondent)

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

INTRODUCTION

On April 17, 2020, the Securities Administrator of the State of Washington issued Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, to Charge Costs, to Impose a Fine, and to Deny Registrations (“Statement of Charges”), order number S-19-2632-19-SC01, against Respondent Donald Logan (CRD No. 5537486). Pursuant to the Securities Act of Washington, chapter 21.20 RCW, the Securities Division and Respondent Donald Logan hereby enter into this Consent Order in settlement of the above-captioned matter. The Securities Division has, in the Statement of Charges, made certain allegations and conclusions set forth under the headings “Tentative Findings of Fact,” and “Conclusions of Law.” Respondent Donald Logan neither admits nor denies the Findings of Fact and Conclusions of Law as stated below.

FINDINGS OF FACT

Respondent

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

3 **Nature of the Conduct**

4 *Overview*

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

9 *Exercising Unauthorized Discretion in Client Accounts*

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

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

16 *Misuse of Client Forms*

17 5. Logan misused at least nine client forms while registered as a security salesperson and investment
18 adviser representative of Waddell & Reed. In doing so, Logan violated Waddell & Reed’s written
19 supervisory procedures. Logan instructed clients to sign five “Client Acknowledgement of Change in
20 Investments” (“Switch Forms”). Three of the Switch Forms were incomplete, and two were blank when
21 Logan instructed the clients to sign them. Logan instructed a client to sign two blank Journal Request forms.
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1 Logan instructed a client to sign an incomplete Account Transfer form. Logan also instructed a client to sign
2 an incomplete 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
9 acted on Logan's advice by obtaining a \$15,000 loan. Logan then recommended that the client sell assets
10 that he managed in order to pay down the loan. The client agreed to sell those assets, and Logan received his
11 usual commission for executing these transactions. Logan did not disclose at the time that he suggested that
12 the client obtain a loan, or at the time that he suggested that the client sell assets that he managed to pay down
13 the 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
19 in which he falsely represented that he had no unsatisfied judgments. In June 2018, the Kitsap Court entered
20 a civil judgment in the amount of \$5,186 against Logan. As of the date of the Statement of Charges, Logan
21 has not updated his Form U4 to reflect this judgment. Furthermore, Logan submitted two Forms U4 to the
22 Division after the 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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9. In February 2019, Logan and FINRA settled allegations that FINRA had made against Logan. In its Letter of Acceptance, Waiver and Consent, FINRA alleged that Logan had exercised unauthorized discretion in client accounts in violation of NASD Rule 2510(b) and FINRA Rule 2010. FINRA further alleged that Logan executed unauthorized trades in client accounts in violation of FINRA Rule 2010, and that Logan caused customers to sign blank and incomplete forms in violation of FINRA Rule 2010. FINRA also alleged that Logan failed to update his Form U4 in violation of FINRA’s bylaws, and FINRA Rules 1122 and 2010. The settlement provided that Logan could not associate with a FINRA member firm for eighteen months, and that Logan would pay a \$25,000 fine.

CONCLUSIONS OF LAW

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

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

2. Instructing clients to sign blank or incomplete forms is a dishonest or unethical practice as defined at WAC 460-24A-220, and prohibited by RCW 21.20.020. Such conduct is a grounds, pursuant to RCW

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
12 that Logan may seek in the future. Such conduct is also a dishonest or unethical practice as defined at WAC
13 460-22B-090, and is a grounds to deny any broker-dealer or securities salesperson registration that Logan
14 may 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
17 investment adviser, investment adviser representative, broker-dealer or securities salesperson registration that
18 Logan may 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 **CONSENT ORDER**

4 IT IS AGREED AND ORDERED that Respondent Donald Logan shall cease and desist from
5 violations of RCW 21.20.020, and RCW 21.20.350.

6 IT IS FURTHER AGREED AND ORDERED that Respondent Donald Logan shall pay
7 investigative costs in the amount of \$2,000. Payment of such costs shall be made as follows: Respondent
8 Donald Logan shall pay \$1,000 prior to entry of this Consent Order, and shall pay \$1,000 on or before
9 April 1, 2021.

10 IT IS FURTHER AGREED AND ORDERED that Respondent Donald Logan shall not make an
11 application for nor be granted any broker-dealer, securities salesperson, investment adviser, or investment
12 adviser representative registration for a period of four months following entry of this Consent Order by the
13 Securities Administrator.

14 IT IS FURTHER AGREED AND ORDERED that Donald Logan shall pay a \$5,000 fine prior to
15 making any application for registration as a broker-dealer, securities salesperson, investment adviser, or
16 investment adviser representative.

17 IT IS FURTHER AGREED AND ORDERED that Donald Logan's sponsoring firm for such an
18 application must provide the Securities Division with an acceptable plan of heightened supervision. Such a
19 plan must address the use of discretion in client accounts by, the use of client forms by, and the reporting
20 obligations of Respondent Donald Logan. Such a plan must last at least two years, and may not be
21 modified during that period.

22 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

1 IT IS FURTHER AGREED that Respondent Donald Logan enters into this Consent Order freely
2 and voluntarily, and with a full understanding of its terms and significance.

3 IT IS FURTHER AGREED that, in consideration of the foregoing, Respondent Donald Logan
4 waives his right to a hearing and to judicial review of this matter.

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6 Signed this 16th day of February, 2021.

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9 s/Donald Logan
10 Donald Logan

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12 DATED and ENTERED this 17th day of March, 2021.

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17 _____
18 William M. Beatty
19 Securities Administrator

20 Approved by:

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22 _____
23 Suzanne Sarason
24 Chief of Enforcement

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Presented by:



Edward R. Thunen
Financial Legal Examiner

Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor