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2
3 STATE OF OREGON
4 DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
5 DIVISION OF FINANCIAL REGULATION

6 In the Matter of:

Case No. S-19-0013

7 JUSTIN D. WILLIAMS and WILLIAMS
8 WEALTH MANAGEMENT, INC.,

9 Respondents.

10 FINAL ORDER TO CEASE AND
11 DESIST, ORDER DENYING USE OF
12 EXEMPTIONS AND ASSESSING
13 CIVIL PENALTIES, ENTERED BY
14 CONSENT

15 The Director of the Department of Consumer and Business Services for the State
16 of Oregon (“the Director”), conducted an investigation of Respondents, Justin D. Williams
17 (“Williams”) and Williams Wealth Management, Inc. (“WWM”), and determined that they
18 violated certain provisions of Oregon Revised Statutes (“ORS”) chapter 59 and Oregon
19 Administrative Rules (“OAR”) chapter 441 (collectively, “the Oregon Securities Law”).

20 Respondents have cooperated with the Director’s investigation and wish to settle
21 this matter with the Director.

22 Now, therefore, as evidenced by the signatures subscribed below, Respondents,
23 without admitting or denying the Findings of Fact and Conclusions of Law contained
24 herein, hereby CONSENT to entry of this Order.

25 **FINDINGS OF FACT**

26 The Director FINDS that:

1. WWM was an Oregon corporation with a principal place of business located at
15280 NW Central Drive, Suite 217, Portland, OR 97229. It was administratively dissolved
on January 28, 2016.

2. WWM was licensed in Oregon as a state investment adviser from January 3,
2007 to March 23, 2015. Its Central Registration Depository (“CRD”) No. is 142647.

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1 3. Williams was the sole owner and licensed investment adviser representative
2 associated with WWM. His CRD No. is 2908426.

3 4. From 2007 to 2014, while associated with WWM, Williams invested in
4 leveraged,¹ inverse,² and leveraged inverse³ exchange traded funds (“non-traditional
5 ETFs”) on behalf of at least 20 Oregon clients (“Oregon clients”) as part of his general
6 investment strategy. Williams had discretionary authority over these clients’ accounts.

7 5. At the time the Oregon clients signed an Investment Advisory Agreement with
8 WWM, their ages ranged from 27 years old to 68 years old. Williams gave each Oregon
9 client a time horizon of ten-plus years based on their stated goal of retirement.

10 6. The Oregon clients’ annual household income ranged from \$50,000 to
11 \$250,000. Their net worth ranged from \$150,000 to \$10,000,000.

12 7. On an investment risk tolerance scale of one to ten, with one having a low
13 tolerance for risk and ten having a high tolerance for risk, the Oregon clients had risk
14 tolerance levels ranging from six to eight.

15 8. Based on information the clients provided to Williams, eleven of the Oregon
16 clients had an investment objective of capital appreciation, while nine had an investment
17 objective of a balanced portfolio.

18 9. Each Oregon clients’ investment objective had an equity component ranging
19 from 60% - 80%. Williams chose non-traditional ETFs as the main, though not the only,
20 vehicle to obtain equity exposure for each client. Depending upon the market and the
21 economy at a given time, each client account’s equity component had anywhere from 25%
22 to 50% invested in non-traditional ETFs. The decision to use non-traditional ETFs was

23 _____
24 ¹ Leveraged ETFs “seek to deliver multiples of the performance of the index or benchmark they track.”
25 *Leveraged and Inverse ETFs: Specialized Products with Extra Risks for Buy-and-Hold Investors*, Securities
26 and Exchange Commission Investor Alert, <https://www.sec.gov/investor/pubs/leveragedetfs-alert.htm> (last
modified August 18, 2009).

² Inverse ETFs “seek to deliver the opposite of the performance or the benchmark they track. *Id.*”

³ Leveraged inverse ETFs “seek to achieve a return that is a multiple of the inverse performance of the
underlying index.” *Id.*



1 based on investment objective and risk tolerance only and not on each client’s individual
2 financial circumstances.

3 10. Williams described his strategy in investing in non-traditional ETFs as “market-
4 based” and “tactical in nature.”

5 11. Williams held non-traditional ETFs for periods of time ranging from days to
6 months depending on his assessment of the market at the time.

7 12. In June 2009, the Financial Industry Regulatory Authority (“FINRA”) issued a
8 Regulatory Notice regarding the highly complex nature of non-traditional ETFs and the
9 possibility of magnified losses in a volatile market. *Non-Traditional ETFs*, FINRA
10 Regulatory Notice 09-31, [http://www.finra.org/sites/default/files/NoticeDocument/
11 p118952.pdf](http://www.finra.org/sites/default/files/NoticeDocument/p118952.pdf) (June 2009).

12 13. In August 2009, the Securities and Exchange Commission (“SEC”) issued an
13 alert regarding non-traditional ETFs, noting that they were usually “designed to achieve
14 their stated objectives on a daily basis.” Thus, “[i]nvestors should be aware that
15 performance of these ETFs over a period longer than one day can differ significantly from
16 their stated performance objectives.” *Leveraged and Inverse ETFs: Specialized Products
17 with Extra Risks for Buy-and-Hold Investors*, Securities and Exchange Commission
18 Investor Alert, <https://www.sec.gov/investor/pubs/leveragedetfs-alert.htm> (last modified
19 August 18, 2009).⁴

20 14. Williams provided the Oregon clients with a general explanation of his
21 investment strategy of taking advantage of a market decline, but he did not explain to them
22 specifically what non-traditional ETFs were, how they worked, and what risks the Oregon
23 clients were taking by investing in them.

24 15. Williams is currently a licensed Oregon resident insurance producer.
25

26 ⁴ As a state investment adviser, WWM was not regulated by the SEC or FINRA. As a licensed investment
adviser representative associated with WWM, neither was Williams.

1 **CONCLUSIONS OF LAW**

2 The Director CONCLUDES that:

3 16. By choosing non-traditional ETFs as the main vehicle to obtain equity exposure
4 for the Oregon clients regardless of their individual financial circumstances, Respondents
5 engaged in an unfair practice in violation of ORS 59.205(2).

6 17. By failing to ensure that the Oregon clients understood the risks and long-range
7 implications of investing in non-traditional ETFs, Respondents engaged in an unfair
8 practice in violation of ORS 59.205(2).

9 18. ORS 59.205(2) includes references to “dishonest, fraudulent, or illegal”
10 practices as well as “unfair or unethical” practices. The Director finds that Respondents
11 engaged in unfair practices only. Nothing in this order shall be construed as a conclusion
12 that any dishonest, fraudulent, illegal, or unethical conduct occurred, and no such
13 conclusions were reached.

14 19. Because the Director has reason to believe that Respondents have engaged in
15 in violations of the Oregon Securities Law, the Director is authorized under ORS 59.045(2)
16 to deny Respondents the use of any exemptions set forth in ORS 59.025 and 59.035.

17 20. ORS 59.995 authorizes the Director to assess civil penalties of up to \$20,000
18 per violation against Respondents for violating the Oregon Securities Law. In the case of a
19 continuing violation, each day’s continuance is a separate violation, but the maximum
20 penalty for any continuing violation is \$100,000.

21 **ORDERS**

22 Now therefore, the Director issues the following:

23 Order to Cease and Desist

24 21. As authorized by ORS 59.245(4), the Director hereby ORDERS Respondents
25 to CEASE AND DESIST from violating the Oregon Securities law.

26 22. Respondents agree not to apply for any license under the Oregon Securities Law

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1 for a period of three years from the date of this Order. Respondents further agree not to be
2 an officer or director of, employed by, or contracted with any individual or entity issued a
3 license under the Oregon Securities Law during this three-year period. This Order on its
4 own shall not serve as a basis for denying Respondents' license application(s) if submitted
5 after this three-year period, but the Division will review Respondents' license
6 application(s) according to the applicable law at the time the application(s) are submitted.

7 Order Denying Use of Exemptions

8 23. As authorized by ORS 59.045(2), the Director hereby DENIES Respondents,
9 including any affiliated and successor individual or entity, the use of securities and
10 transaction exemptions that would otherwise be available to them under ORS 59.025 and
11 59.035 for a period of three years from the date of this Order.

12 Order Assessing Civil Penalties

13 24. As authorized by ORS 59.995, the Director hereby ORDERS Respondents to
14 pay, jointly and severally, a civil penalty of Forty Thousand Dollars (\$40,000) for
15 violations of ORS 59.205(2).

16 25. Based in part on Respondents' cooperation with the Director's investigation,
17 the Director suspends Thirty-Five Thousand Dollars (\$35,000) of the total civil penalty for
18 a period of three years from the date of this Order, provided that Respondents do not violate
19 the Oregon Securities Law or the terms of this Order. If Respondents commit any such
20 violation, the suspended portion of the civil penalty will become immediately due and
21 owing. Otherwise, the suspended portion of the civil penalties will be waived at the end of
22 this three-year period.

23 26. Along with this Order, Respondents shall submit to the Director a sum of
24 \$500.00 as an initial payment for the unsuspended portion of the civil penalty. The balance
25 of the unsuspended portion of the civil penalty shall be paid in six quarterly installments
26 of \$750.00 starting in October 2019. The quarterly payments are due within the first ten

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1 days of each quarter.

2 27. This Order shall not serve to disqualify Respondents pursuant to the statutory
3 disqualification provisions of Section 3(a)(39) of the Exchange Act of 1934.

4 28. This Order shall not serve as a basis for an enforcement action against
5 Williams's Oregon resident insurance producer license.

6 29. This Order is a "Final Order" under ORS 183.310(6)(b). Subject to that
7 provision, the entry of this Order in no way limits other remedies which may be available
8 to the Director under Oregon law to enforce this Order or to take action for violations of
9 this Order or of the Oregon Securities Law that are not covered by this Order.

10
11 SO ORDERED this 13th day of June, 2019.

12 CAMERON C. SMITH, Director
13 Department of Consumer and Business Services

14
15 /s/ Dorothy Bean

16 Dorothy Bean, Chief of Enforcement
17 Division of Financial Regulation

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CONSENT TO ENTRY OF ORDER

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I, Justin D. Williams, state that I have read the foregoing Order and that I know and fully understand the contents hereof. The factual allegations stated herein are true and correct. I have been advised of the right to a hearing and of the right to be represented by counsel in this matter. I voluntarily consent to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter, as well as any rights to administrative or judicial review of this Order. I understand that the Director reserves the right to take further action against me to enforce this Order or to take appropriate action upon discovery that I have committed other violations of the Oregon Securities Law. I will fully comply with the terms and conditions stated herein.

I understand that this Order is a public document.

/s/ Justin D. Williams
Signature

State of Oregon
County of Washington

Signed or attested before me on the 10th day of June, 2019.

/s/ Nathan Frobisher
Notary Public

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ENTITY CONSENT TO ENTRY OF ORDER

I, Justin D. Williams, was an officer of Williams Wealth Management, Inc. (“WWM”) at all times material to this action. I am authorized to act and sign this Order on behalf of WWM. I have read the foregoing Order, and I know and fully understand the contents hereof. I have been advised of the right to a hearing and of the right to be represented by counsel in this matter. WWM voluntarily consents to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter, as well as any rights to administrative or judicial review of this Order. WWM understands that the Director reserves the right to take further action to enforce this Order or to take appropriate action upon discovery that WWM has committed other violations of the Oregon Securities Law. WWM, along with its officers, directors, employees, or agents, will fully comply with the terms and conditions stated herein.

WWM understands that this Order is a public document.

Signature: /s/ Justin D. Williams

Position Held: Owner

State of Oregon

County of Washington

Signed or attested before me on the 10th day of June, 2019.

/s/ Nathan Frobisher

Notary Public

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