STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

In the Matter of: WILLIAM E. TUFTS, JR., Respondent.	Case No. S-21-0010 FINAL ORDER TO CEASE AND DESIST, ORDER ASSESSING CIVIL PENALTIES, AND CONSENT TO ENTRY OF ORDER

The Division of Financial Regulation (the "Division"), acting on behalf of the Director of the Department of Consumer and Business Services for the State of Oregon (the "Director"), conducted an investigation of William E. Tufts, Jr. ("Respondent"). The Division determined that Respondent violated provisions of Oregon Revised Statutes ("ORS") 59.005 to 59.505, 59.991 and 59.995 (the "Oregon Securities Law") and the Oregon Administrative Rules ("OAR") promulgated under those laws.

Respondent submits to the Director's jurisdiction and agrees to waive his rights to notice and an administrative hearing under ORS 183.415 and wishes to resolve this matter by consenting to entry of this Consent Order.

Now, therefore, as evidenced by the authorized signature(s) subscribed herein, the Director issues the following Findings of Fact, Conclusions of Law, and Final Orders.

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Salem, OR 97301-3881
Telephone: (503) 378-4387

FINDINGS OF FACT

The Director FINDS that:

1. Respondent's Individual Central Registration Depository ("CRD") number is 2053884. Since October 14, 2005, Respondent has been employed by Crown Capital Securities, L.P. ("Crown Capital"), a dually licensed Broker-Dealer and a Federal-Covered Investment Advisor. Respondent is licensed with the Division as a salesperson associated

with Crown Capital.

2. In or about 2012, an Oregon consumer identified herein as IT became a client of Respondent. IT brought with her some existing financial accounts, including a variable annuity (the "Annuity") and Individual Retirement Accounts ("IRAs").

3. On April 28, 2015, IT signed a Crown Capital Investment Change Acknowledgement and Authorization form (the "Investment Change Form"). Respondent signed that form on May 14, 2015, and a Crown Capital branch manager also signed it on May 18, 2015.

4. The Investment Change Form indicates that the funds from the Annuity will be re-invested in various exchange traded funds with investment objectives "growth" and "tax advantaged" and risk tolerance "moderate." Respondent's handwritten notes on the Investment Change Form indicate that the Annuity is "not suitable" for IT.

5. The Investment Change Form contains a line item to note any "Redemption/Surrender Fee Paid." That line is left blank, which could be read to mean that there is no surrender fee to be charged to the accountholder, IT.

6. In fact, the liquidation of the Annuity resulted in the forfeiture of $1,815.59 plus a contingent deferred sales charge of $1,361.68, resulting in a total loss to IT of $3,177.27. This amount should have been included on the Investment Change Form but was not.

7. There is no documented evidence that Respondent discussed or explained to IT that the liquidation would result in any surrender charges. Respondent's client account notes pertaining to IT do not contain a record of any conversations with IT about these items. More broadly, Respondent's notes pertaining to IT are thin and devoid of details of his conversations with her or decisions made about how to handle her account.

8. Respondent represents to the Division that he did orally disclose the foregoing surrender charges to IT, but acknowledges that he failed to document the same.

9. Despite indicating on the Investment Change Form that the funds from the now-

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liquidated Annuity would be reinvested in a product with the objective of "growth" (the box labeled "income" was not checked), Respondent actually reinvested those funds into primarily fixed income products, such as bonds.

10. Respondent updated IT's information on a Crown Capital Account Information Form on January 29, 2015 (the "Account Information Form"). The only portfolio objective selected on the Account Information Form is "Income"; the "Growth" box is not checked. Respondent and IT signed that form, as did a Crown Capital branch manager.

11. The Investment Change Form and the Account Information Form contain conflicting suitability information. The allocation of IT's funds into fixed income products is contrary to the objective indicated on the Investment Change Form – which IT signed on April 28, 2015, and Respondent signed on May 14, 2015 – but is consistent with the Account Information Form dated January 29, 2015. Neither Respondent's client account notes nor any other contemporaneous documentation reconciles this discrepancy.

12. By 2016, Respondent had allocated the funds from the Annuity almost entirely into fixed income products.

13. Notwithstanding the conflicting suitability information, there is no evidence that the foregoing allocation of funds into fixed income products was unsuitable for IT.

14. The Division does not find that Respondent engaged in fraudulent, deceptive, or manipulative conduct.

15. Respondent represents and has demonstrated to the Division that he has reimbursed IT three thousand one hundred seventy-seven dollars and twenty-seven cents ($3,177.27), reflecting the amount of surrender charges and fees that he should have disclosed to her on the Investment Change Form associated with the liquidation of the Annuity.

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CONCLUSIONS OF LAW

The Director CONCLUDES that:

16. Under ORS 59.015(1), Crown Capital is a "broker-dealer."

17. Under ORS 59.015(4), Crown Capital is a "Federal covered investment advisor."

18. Under ORS 59.015(18)(a), Respondent is a "salesperson."

19. Under OAR 441-175-0010(1), Respondent is an "associated person" of Crown Capital.

20. Under ORS 59.015(19)(a), "security" means a stock, bond, or, in general, any interest or instrument commonly known as a "security."

21. The investments contained in IT's accounts that Respondent managed, including the Annuity and IRAs, constitute "securities" under ORS 59.015(19)(a).

22. Under ORS 59.205(2), the Director may deny, suspend, or revoke, or impose conditions or restrictions on, a license of a person as a salesperson if the Director finds that the licensee has engaged in unfair practices or conduct in connection with the purchase or sale of any security.

23. By omitting the surrender charges on the Investment Change Form, Respondent engaged in an unfair practice and therefore is subject to disciplinary action under ORS 59.205(2).

24. The Division does not find that Respondent engaged in fraudulent, deceptive, or manipulative conduct in violation of any Oregon statute, regulation, or other rule.

25. Under ORS 59.195(1), every broker-dealer, state investment adviser, investment adviser representative, and salesperson shall make and keep such accounts, correspondence, memoranda, papers, books, and other records as the Director by rule or order prescribes.

26. Under OAR 441-195-0020, broker-dealers are required to make and keep

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certain detailed books and records.

27. Respondent acknowledges that he, as a salesperson and associated person of Crown Capital, is obligated to make and keep certain books and records, including but not limited to detailed notes reflecting discussions and decisions made with clients as well as documentation justifying or clarifying actions taken on behalf of clients. This obligation is also reflected in Crown Capital's policies and procedures.

28. Respondent failed to create client notes or maintain documents reflecting his discussions with IT and decisions he and IT made regarding her investment accounts. Such notes and documents that Respondent failed to create include alleged discussions with IT that the liquidation of the Annuity would result in surrender fees and charges. Likewise, Respondent failed to document any explanation for the conflicting suitability information contained in the Investment Change Form and the Account Information Form. Accordingly, Crown Capital violated ORS 59.195(1) and OAR 441-195-0020, and concomitantly Respondent failed to make and keep required books and records.

29. Under ORS 59.995(1)(a), in addition to all other penalties and enforcement provisions provided by law, any person who violates or who procures, aids, or abets the violation of ORS 59.005 to 59.505, 59.710 to 59.830, 59.991 and 59.995, or any rule or order of the Director shall be subject to a penalty of not more than $20,000 for every violation, which shall be paid to the General Fund of the State Treasury.

ORDERS

The Director ISSUES the following ORDERS:

Order to Cease and Desist

30. Pursuant to ORS 59.245(4), the Director hereby ORDERS Respondent, and all entities owned or controlled by Respondent, his successors and assignees, to CEASE AND DESIST from violating ORS 59.205(2), ORS 59.195(1), and OAR 441-195-0020.

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Order Assessing Civil Penalties

31. Pursuant to the authority of ORS 59.995(1), the Director hereby ORDERS the assessment of ten thousand dollars ($10,000) of CIVIL PENALTIES against Respondent for violating ORS 59.205(2), ORS 59.195(1), and OAR 441-195-0020.

32. The Director SUSPENDS collection of the foregoing ten thousand dollars ($10,000) of civil penalties, provided Respondent complies with all terms of this Consent Order and the Oregon Securities Law.

33. The Director agrees to waive the foregoing suspended ten thousand dollars ($10,000) of civil penalties at the end of a period of five (5) years from the effective date of this Consent Order provided that Respondent complies with the Oregon Securities Law and the terms and conditions of this Consent Order. If Respondent fails to comply with the Oregon Securities Law or otherwise fails to comply with the terms and conditions of this Consent Order within the foregoing period of five (5) years, then the entire ten thousand dollars ($10,000) of civil penalties shall become immediately due and payable.

NONDISCHARGEABILITY

34. Respondent agrees the facts and violations set forth in this Order may be taken as true without further proof in any bankruptcy case or subsequent civil litigation the Director may pursue to enforce its rights to any payment or money judgment under the terms of this Order, including but not limited to any nondischargeablity complaint in any bankruptcy proceeding and that this Order shall have collateral estoppel effect in any bankruptcy case.

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FINAL ORDER

35. This Order is a "Final Order" under ORS 183.310(6)(b). Subject to that provision, entry of this Order in no way limits or prevents further remedies, sanctions, or actions which may be available to the Director under Oregon law to enforce this Order, for violations of this Order, for conduct or actions of Respondent that are not covered by this Order, or against any party not covered by this Order.

IT IS SO ORDERED.

Dated this 5th day of August, 2021.

ANDREW R. STOLFI, Director
Department of Consumer and Business Services

/s/ Dorothy Bean
Dorothy Bean, Chief of Enforcement
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CONSENT TO ENTRY OF ORDER

I, William Tufts, have read the foregoing Order 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, and I have been represented by counsel. The factual allegations stated herein are true and correct. 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 this is a "Final Order" under ORS 183.310(6)(b). I understand that the Director reserves the right to take further action 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.

Signature: /s/ William Tufts

Title: Registered Principal

State of Oregon

County of Clackamas

Signed or attested before me on this 2nd day of August, 2021 by William Tufts.

/s/ Anthony J. Bates

Notary Public

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