STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES
BEFORE THE DIRECTOR OF THE
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

In the Matter of:	S-10-0022
Adriel J. Gaines, Respondent.	ORDER TO CEASE AND DESIST, ORDER ASSSESSING CIVIL PENALTY, AND CONSENT TO ENTRY OF ORDER

WHEREAS the Director of the Department of Consumer and Business Services ("the Director") has conducted an investigation of certain business activities conducted by Adriel J. Gaines and the Director has determined that Adriel J. Gaines transacted securities business in Oregon in violation of the suitability requirements of the Oregon Securities Law;

WHEREAS Adriel J. Gaines, without admitting or denying the Findings of Fact and Conclusions of Law stated hereinafter, wishes to resolve and settle this matter with the Director;

NOW THEREFORE, as evidenced by the authorized signature subscribed on this Order, Adriel J. Gaines hereby **CONSENTS** to entry of this Order to Cease and Desist, Order Assessing Civil Penalty, and Consent to Entry of Order upon the Director's Findings of Fact and Conclusions of Law as stated hereinafter.

FINDINGS OF FACT

The Director **FINDS** that:

1. At times material to this Order, Strand, Atkinson, Williams & York, Inc. ("SAWY") was a broker-dealer licensed in Oregon. The Central Registration Depository ("CRD") number for SAWY is #1254. On or about July 20, 2009, SAWY changed its name to Umpqua Investments, Inc. and retained the same CRD number.

2. From April 2004 to December 2008, Adriel J. Gaines was a securities salesperson licensed in Oregon to work for SAWY. The CRD number for Mr. Gaines is #2933961.

3. Around December 2008, Mr. Gaines resigned from SAWY, applied for and was granted a securities salesperson license with the Oregon Division of Finance and Corporate

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Securities ("DFCS") to work for another broker-dealer firm.

4. Between January and March 2009, five Oregon customer complaints were filed against Mr. Gaines concerning transactions effected when Mr. Gaines was employed at SAWY. Some of the customer complaints concern the suitability of variable annuities recommended and sold by Mr. Gaines to the customers.

5. During the course of a mass transfer of licensees from one broker-dealer firm to another in 2009, DFCS became aware of the customer complaints concerning Mr. Gaines and opened an investigation.

6. Information reviewed during the investigation indicates that certain former colleagues of Mr. Gaines may have encouraged some clients to file the complaints.

7. Information reviewed during the investigation indicates that some investors did not understand the investment products Mr. Gaines recommended to them and would not have purchased them had they known and understood what they were buying.

8. Customer A is a retired telephone operator who had no prior investment experience. In February 2008, Customer A and her husband's total income was approximately $2,000 per month, including her Social Security and her husband's government disability retirement from the post office. Their other assets included their home, valued at $175,000, with $100,000 owing on it, and her pension from the phone company.

9. On or about February 20, 2008, Customer A invested her entire pension from the phone company, which was $53,000, in a variable annuity sold to her by Mr. Gaines. The $53,000 was all she had, and it needed to last ten years. After speaking with Mr. Gaines, Customer A mistakenly believed the account was FDIC insured. In fact, the variable annuity account was not FDIC insured.

10. Mr. Gaines delegated the task of filling out customer account worksheet forms to an assistant. In some cases, the documentation of the customer's financial situation was incomplete and inaccurate. For instance, an account worksheet lists Customer A's net worth as "500K" when

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in fact, Customer A's net worth was substantially less than $500,000. Customer A did not fill out or sign the account worksheet. Mr. Gaines failed to follow up or verify information concerning Customer A's actual financial condition.

11. In January 2009, Customer A learned the account balance had fallen to less than $39,000. After the variable annuity lost money, Customer A filed a complaint with SAWY. SAWY later settled with Customer A for more than $12,000.

CONCLUSIONS OF LAW

The Director **CONCLUDES** that:

1. Mr. Gaines represented SAWY in effecting securities transactions as a "salesperson", as defined by ORS 59.015(18)(a).

2. While employed at SAWY, Mr. Gaines failed to conduct a reasonable inquiry concerning customers' investment objectives, financial situation and needs.

3. The variable annuity Mr. Gaines recommended and sold to Customer A in February 2008 was unsuitable in light of Customer A's investment objectives, risk tolerance, financial situation and needs.

4. While employed at SAWY, Mr. Gaines recommended the purchase, sale or exchange of securities, without reasonable grounds to believe that the recommendations were suitable for the customer on the basis of information furnished by the customer after reasonable inquiry concerning the customer's investment objectives, financial situation and needs, in violation of OAR 441-205-0140.

ORDER

1. Pursuant to the authority of ORS 59.245, the Director hereby **ORDERS** Adriel J. Gaines to **CEASE AND DESIST** from:

A. Recommending to any customer the purchase, sale or exchange of any security, without reasonable grounds to believe that the recommendation is suitable for such customer on the basis of information furnished by such customer after reasonable inquiry concerning the

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customer's investment objectives, financial situation and needs, in violation of OAR 441-205-0140; and

B. Violating any of the provisions of ORS Chapter 59 or Oregon Administrative Rules Chapter 441.

2. Pursuant to the authority of ORS 59.995(1), the DIRECTOR hereby **ASSESSES a CIVIL PENALTY** in the amount of $20,000 (twenty thousand dollars) against Adriel J. Gaines for violation of OAR 441-205-0140, described herein. Until further Order of the Director, the Director will **SUSPEND** $15,000 (fifteen thousand dollars) of the civil penalty, so long as Adriel J. Gaines complies with all terms of this Order; **PROVIDED HOWEVER**, that the suspended portion of the civil penalty will become immediately due and owing in its entirety upon a determination by the Director that Adriel J. Gaines has violated any term of this Order, including but not limited to the payment provisions, or any provision of the Oregon Securities Law. Adriel J. Gaines must pay $5,000 (five thousand dollars) of the civil penalty at the time of execution of this Order.

3. In addition to the civil penalty, Adriel J. Gaines agrees to and is ordered to pay a total of $5,000 (five thousand dollars) to the Department of Consumer and Business Services for the Consumer Financial Education Account, in payments of no less than $1,000 (one thousand dollars) per month, beginning no later than November 10, 2010, with payments due no later than the tenth day of each month.

4. (A) The 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:

(1) to enforce the Order;

(2) for violations of the Order; or

(3) against any party not covered by the Order.

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(B) The Director does not anticipate further action against Respondent for any similar allegations raised concerning Respondent's business activities while employed at SAWY.

(C) This Order does not inure to the benefit of any third party.

Dated this 13th day of October, 2010, at Salem, Oregon.

CORY STREISINGER, Director
Department of Consumer and Business Services

/s/ David Tatman
David C. Tatman, Administrator
Division of Finance and Corporate Securities

CONSENT OF ADRIEL J. GAINES TO ENTRY OF ORDER

I, Adriel J. Gaines, state that I am a resident of the State of Oregon, that I have read the foregoing Order and that I know and fully understand the contents hereof; that I neither admit nor deny the factual allegations stated herein; that I have been advised of my right to a hearing, and that I have been represented by counsel in this matter; that I voluntarily consent to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter; that I understand that the Director reserves the right to take further actions against me to enforce

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this Order or to take appropriate action upon discovery of other violations of Oregon law by me; and that I will fully comply with the terms and conditions stated herein.

I understand that this Order is a public document.

Dated this 20th day of September, 2010.

/s/ Adriel J Gaines
ADRIEL J. GAINES

SUBSCRIBED AND SWORN to before me this 20th day of September, 2010.

/s/ Angela Townsend
(Signature of Notary Public)

Angela Townsend
(Printed Name of Notary Public)

Notary Public for the State of: OR

My commission expires: 8/5/2011

Approved as to form:

/s/ Bruce Cully Moore Date: 9/20/10
Bruce Cully Moore, OSB#803150
Attorney for Adriel J. Gaines

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