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ARKANSAS SECURITIES DEP

BEFORE THE ARKANSAS SECURITIES COMMISSIONER

Case No. S-14-0024

Order No. S-14-0024-14-OR02

IN THE MATTER OF
TRENT A. DODDS

CONSENT ORDER

This Consent Order is entered pursuant to the Arkansas Securities Act, codified at Ark. Code Ann. §§ 23-42-101 through 23-42-509 (Act), the Rules of the Arkansas Securities Commissioner (Rules) promulgated under the Act and the Arkansas Administrative Procedures Act, codified at Ark. Code Ann. §§ 25-15-201 through 25-15-219 in accordance with an agreement by and between the Staff of the Arkansas Securities Department (Staff) and the respondent, Trent A. Dodds, in full and final settlement of all claims that could be brought against him by the Staff on the basis of the facts set forth herein.

Dodds admits the jurisdiction of the Act and the Arkansas Securities Commissioner (Commissioner), waives his right to a formal hearing without admitting or denying the findings of fact or conclusions of law made herein, consents to the entry of this order, and agrees to abide by its terms in the settlement of any possible violations committed by Dodds concerning the matters detailed in this order.

FINDINGS OF FACT

1. Dodds is a resident of Searcy, Arkansas, and a licensed insurance agent. Dodds is not registered pursuant to the Act as an investment adviser or representative of an investment adviser.

2. Dodds, along with three independent licensed insurance agents, were involved in presenting a seminar conducted on March 1, 2014, in Fort Smith, Arkansas, concerning social security. Direct mail invitations targeted senior citizens who were of an age to begin drawing social security or close to it. The invitations and business cards printed for use at the seminars were provided by a field marketing organization (FMO). FMOs are organizations standing between insurance companies and insurance agents through which insurance agents obtain appointments from the insurance companies that allow them to market and sell the insurance companies' products and from which the agents obtain training and other support. As part of its business of obtaining and training insurance agents, this FMO had earlier hosted a seminar for insurance agents in Las Vegas which all four of the agents hosting the Fort Smith seminar attended. One of four won a raffle prize that included the business cards and other marketing materials used in the Fort Smith seminar. These marketing materials referred to the four insurance agents as "The Retirement Pros."
3. Seminar participants who wanted more information or who wanted to talk to one of the four agents filled out a form entitled "Workshop Evaluation Form," and an agent scheduled one-on-one appointments with those individuals. Under the subheading, "Areas of Interest and Concern," participants were offered the following three reports or analyses: 1) "Social Security Planning Report," 2) "Guaranteed Lifetime Income Analysis" and 3) "Tax Free Retirement Income Review."
4. AR1, a resident of Fort Smith, Arkansas, attended the seminar on March 1, 2014, with his wife. AR1 was medically retired at age 64. His wife was still working at age 63, but

wanted to retire early. AR1 filled out a Workshop Evaluation Form and indicated an interest in all three reports or analyses, and an appointment was scheduled with AR1 and his wife at their home.

5. Dodds and Christy D. Coffman, another of the four agents hosting the Fort Smith seminar, visited AR1 at his home at the appointed time on March 6, 2014, and stayed for about two hours. Coffman obtained the social security number of AR1's wife and used it to go online and determine whether she could access an appropriate level of income by collecting social security on herself and her ex-husband. (AR1 and his wife had been married only for about a year.) Dodds and Coffman filled out a client worksheet on AR1 and his wife listing all of AR1's assets, including AR1's securities holdings in three accounts totaling approximately \$200,000, all accumulated by AR1 in deferred compensation plans during his working life. AR1 and his wife told Dodds and Coffman they wanted to explore the possibility of somehow using AR1's securities holdings to establish another income stream to be used to pay the health insurance premiums for AR1's wife until she would qualify for Medicare coverage at age 65, which would allow her to retire immediately.
6. During the March 6, 2014, visit at AR1's home, some statements for AR1's securities accounts were lying on the table around which Dodds, Coffman, AR1 and his wife were sitting and conversing. Coffman informed AR1 and his wife that she and Dodds were insurance agents and could not discuss securities. On several occasions, Dodds noted that one of the securities accounts contained many charges or expenses and was not making much money.

7. Coffman explained to AR1 that life insurance policies are protected from a judgment creditor. She provided the example that if AR1 were successfully sued for something like an automobile accident, a judgment creditor could obtain the money he had invested in the three securities accounts, but not if that money were placed in an EIA.
8. Dodds and Coffman arranged a follow-up appointment with AR1 for the following day, March 7, 2014. Dodds and Coffman presented an equity indexed annuity (EIA) for AR1's purchase, the FG AccumulatorPlus 14, an EIA issued by Fidelity & Guaranty Life Insurance Company (F&G). Coffman had already filled out the application for the EIA. Coffman had also already filled out two forms entitled "Annuity 1035 Exchange and Transfer/Rollover Form," (1035 Form). Used primarily for liquidating insurance products and using the proceeds to purchase new insurance products, 1035 Forms were used here to have two of AR1's accounts holding securities liquidated and the proceeds transferred to F&G to purchase the EIA Dodds and Coffman presented to AR1. According to the application form filled out by Coffman, AR1 was investing \$125,154.00, which was over 60% of AR1's retirement funds, all of which had been invested in securities.
9. From the client worksheet Coffman had completed on AR1 and his wife, she determined that AR1 and his wife had a monthly disposable income of \$5,000.00, non-liquid assets of \$270,000 and liquid assets of \$254,654.00, \$125,154.00 of which would be used to fund the F&G annuity product Dodds and Coffman presented to AR1. On March 7, 2014, Dodds and Coffman had a glossy, color brochure setting out the terms of the EIA. AR1 denies that this brochure was shown to him or that a copy of it was left with him. Coffman contends that she told him he would make a 7%, one-time bonus on this EIA,

which AR1 remembers as a return of 7% per annum. Coffman went through the application and the 1035 Forms, telling AR1 where to sign his name, but not explaining to him what he was signing. After he signed all the forms, Dodds and Coffman left without leaving AR1 any copies of the documents he had just signed.

10. AR1 and his wife complain that the documents pertaining to the EIA were not adequately explained to them. Specifically, they state that Dodds and Coffman did not tell them that the EIA they presented to him had surrender charges spanning a fourteen-year period, the charges beginning at 14.75% and remaining at 10% or more through the sixth year or that the EIA he was purchasing included no immediate income stream in the form of periodic payments in the form of monthly or quarterly payments.
11. Dodds and Coffman told AR1 and his wife that their commission for selling the EIA would be paid by the insurance company that issued the EIA and not by AR1 and his wife. The commission for the sale of this EIA was 7% and was to have been split between all four of the insurance agents who conducted the seminars.
12. Dodds returned to AR1's home on March 14, 2014, to obtain AR1's signature on another document. After Dodds left, AR1 did some online research on F&G and found out that the EIA he had purchased had no income stream that would help pay for his wife's health care insurance for the next two years and that the money invested would be tied up for many years. With this information in hand, AR1 contacted the Better Business Bureau which directed him to the Arkansas Securities Department. Upon contact from the Arkansas Securities Department, Coffman cancelled the transactions that funded the F&G EIA.

CONCLUSIONS OF LAW

13. Ark. Code Ann. § 23-42-102(8) defines investment adviser as a person who engages in the business of advising others, directly or indirectly, as to the value of securities or the advisability of investing in, purchasing or selling securities, for compensation. By presenting the completed forms effecting the liquidation of AR1's securities, directing the proceeds to be transferred to F&G for the purchase of the EIA, Dodds recommended the sale of securities and their replacement with the EIA. This advice was given for compensation, which was the commission for the sale of the EIA. Dodds was not registered in accordance with the Act as an investment adviser or representative of an investment adviser. The giving of this advice for compensation without registration as an investment adviser or representative of an investment adviser was a violation of Ark. Code Ann. § 23-42-301(a).
14. Dodds participated in a seminar concerning social security to which people close to or over the age at which they would qualify for social security retirement benefits were invited by means of direct mail. After the seminar, the attendees were given a form entitled "Workshop Evaluation Form." This form was used to arrange one-on-one appointments with one or two of the four insurance agents conducting the seminar. It also three options for more information in the form of reports or analyses, which would be delivered to the attendee's home at the appointed time. AR1 filled out one of these forms and asked for an appointment and all three reports or analyses. Although Coffman orally provided some information relevant to the three reports or analyses requested on the

Workshop Evaluation Form, providing that information was not the primary purpose of this visit by the two insurance agents. Dodds and Coffman obtained financial information about AR1 and his wife and proceeded to recommend the replacement of AR1's securities with EIAs. Before making this recommendation, Coffman informed AR1 and his wife that they could not discuss securities, but informed them that a judgment creditor could take any money invested in securities but not any money invested in EIAs. Dodds noted that one of AR1's securities accounts had many expenses and made little money. The entire scenario set out in detail in ¶¶ 2 - 12 and described in this paragraph—hosting and conducting a seminar concerning social security when the only possible income to anyone hosting the seminar would come from the sale of insurance products, the invitation to that seminar to persons of or close to retirement age, gaining access to attendees on a one-to-one basis, obtaining information about the attendee and recommending the replacement of securities with EIAs after casting aspersions on securities— was an “act, practice or course of business that operates or would operate as a fraud or deceit upon” another person, violations of Ark. Code Ann. § 23-42-307(2) and Ark. Code Ann. § 23-42-507(3)

OPINION

15. This order is in the public interest. The facts set out in ¶¶ 1 - 12 support the violation of the Act set out in ¶¶ 13 and 14.
16. Pursuant to Ark. Code Ann. § 23-42-209(c), matters may be resolved by consent order without the institution of a formal proceeding.

ORDER

By agreement and with the consent of the Staff and the Respondent, it is hereby ordered that the Respondent pay a fine of \$2,500 within thirty days of the date of this order.

IT IS SO ORDERED.

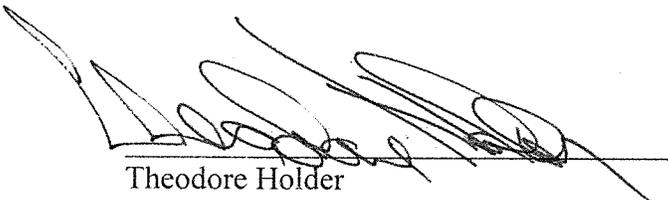


A. Heath Abshure
SECURITIES COMMISSIONER

APPROVED AS TO FORM


Trent A. Dodds

Signed this 30 day of July, 2014.


Theodore Holder
Attorney for the Staff

Signed this 31 day of July, 2014.