

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: GARY PETERSON

File No. 120052

CONSENT
ORDER OF PROHIBITION

TO THE RESPONDENT: GARY PETERSON
1749 FOX WOOD COURT
ROCKFORD, IL 61107

WHEREAS, Respondent on the 25th day of June 2016 executed a certain Stipulation to Enter Consent Order (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Respondents have admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing of the Secretary of State, Securities Department, dated August 31, 2015 in this proceeding (the "Notice") and Respondent has consented to the entry of this Consent Order ("Consent Order").

WHEREAS, by means of the Stipulation, the Respondents acknowledged, while neither admitting nor denying the truth thereof, that the following allegations contained in the Notice of Hearing shall be adopted as the Secretary of State's Findings of Fact:

1. Ameriprise Financial Services, Inc., at all relevant times herein was registered as a broker dealer with the Illinois Securities Department.
2. Gary Peterson ("Peterson"), a resident of Illinois, at all relevant times herein was a registered salesperson for Respondent Ameriprise Financial Services, Inc. On July 17, 2012 Respondent Peterson's employment with Ameriprise was terminated.
3. At all relevant times herein, Respondent Peterson represented the Ameriprise trading account of Investor.
4. Investor ("Investor") is over the age of 80 years and was retired at the time his account was opened at Ameriprise.

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5. Excessive trading, often called "churning," occurs when a securities broker or advisor representative effectuates trades in a customer's account that are excessive in size or frequency in light of that customer's investment objectives and risk tolerance and is done for the purpose of generating commissions at the detriment of the customer.
6. Oft times, as here, when churning an account the representative buys and sells the same, or similar, securities repeatedly and in short order to garner commissions on the transaction at the detriment of the account owner.
7. Investor had been a client of Peterson since 1972. Rather than represent the Investor in a reasonable and proper manner, Peterson took advantage of the age and trust of Investor to earn excessive income.
8. The churning of an investment portfolio by a representative, such as Peterson, is evidenced by the Turnover Ratio.
9. The Turnover Ratio is computed by dividing the total cost of purchases by the average account value during the same time frame.
10. Thus, the Turnover Ratio is a measurement of how often the holdings in a portfolio are sold and purchased (replaced) during a period of time, with a "1", or 100% when represented as a percentage, meaning the total equity of the portfolio was sold and re-purchased in that time-frame.
11. During 2009, Peterson's trading in Investor's account resulted in a turnover ratio of 4.61. That is, Peterson bought and sold the holdings of the account over four times.
12. During 2010, Peterson's trading in Investor's account resulted in a turnover ratio of 5.95. That is, Peterson bought and sold the holdings of the account over five times.
13. During 2011, Peterson's trading in Investor's account resulted in a turnover ratio of 6.42. That is, Peterson bought and sold the holdings of the account over six times.
14. Another measure to evidence churning is the Cost to Equity ratio which measures what the return the investments would be necessary to obtain to cover the commissions and fees charged to the client.
15. Commissions and fees associated with the purchase and sale of securities reduce an investor's possible return on an investment, thus it is incumbent for a

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representative to minimize the number of trading recommendations so as to not eliminate any gains made, or, as in this case, cause losses to the investor's account equity.

16. The Cost to Equity ratio is computed by dividing the total commissions and fees paid by the average account equity during the same period of time.
17. Peterson's trading in Investor's account during 2009 resulted in a high Cost to Equity ratio of 4.9%, that is, Peterson's trades would have had to garner a 4.9% return just for the account to keep its current value or breakeven.
18. During 2010, Peterson's trading in Investors account resulted in a high Cost to Equity ratio of 5%, that is, Peterson's trades would have had to garner a 5% return just for the account to keep its current value or breakeven.
19. During 2011, Peterson's trading in Investors account resulted in another high Cost to Equity ratio of 6%, that is, Peterson's trades would have had to garner a 6% return just for the account to keep its current value or breakeven.
20. Peterson's trading activity in Investor's account in 2009, 2010 and 2011 garnered \$24,769.41, \$23,169.23 and \$25,993.76 in commissions, respectively.
21. Peterson's activities described above, namely the recommendations to Investor to sell and buy certain securities in his brokerage accounts constitute the activities of a salesperson as defined under Section 2.9 of the Illinois Securities Law of 1953 (the "Act").
22. Section 12.A of the Act states in pertinent part that it shall be a violation of the Act for any person to offer or sell any security except in accordance with the provisions of the Act.
23. Section 130.850(a) of the Rules and Regulations Under the Illinois Securities Law of 1953 states that:
 - a. **No dealer or salesperson shall effect transactions for any customer's account which are excessive in size or unsuitable in view of the financial resources of the customer.**
24. Peterson's excessive trading in Investor's brokerage accounts constitutes a violation of Section 130.850 of the Rules.
25. Section 12.F of The Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, (The "Act") states that it shall be a violation of the provisions of this Act for any person to, "engage in any transaction, practice or course of business in connection with

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the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof." 815 ILCS 5/12.F.

26. Peterson's excessive trading that he effected in Investor's account was done without Investor's knowledge and without full disclosure of the impact that the costs, fees, and commissions that Peterson's trades would cause to Investor's accounts. Moreover, the excessive trades were not suitable for Investor and constitute a violation of Section 12.F of the Act.
27. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading".
28. Peterson's excessive trading that he effected in Investor's account generated commissions at the detriment of Investor, without full disclosure of the impact that the costs, fees, and commissions that Peterson's trades would cause to Investor's accounts. By virtue of the foregoing, Peterson violated Sections 12.G of the Act.
29. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to employ any device, scheme or artifice, to defraud in connection with the sale or purchase of any security, directly or indirectly".
30. Peterson's excessive trading that he effected in Investor's account generated commissions at the detriment of Investor. By virtue of the foregoing, Peterson violated Sections 12.I of the Act.

WHEREAS, by means of the Stipulation Respondent has acknowledged, while neither admitting or denying the truth thereof, that the following shall be adopted as the Secretary of State's Conclusions of Law:

1. Respondent Peterson has violated Section 12.A, 12.F, 12.G and 12.I of the Illinois Securities Law of 1953 (815 ILCS 5/1 *et seq.*);
2. Respondent Peterson is subject to an order that permanently prohibits him from offering and/or selling securities in or from the State of Illinois, in accordance with Sections 11.E(2) and 11.F(1) of the Act;

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WHEREAS, by means of Stipulation Respondent Peterson have acknowledged and agreed that Gary Peterson shall be permanently prohibited from offering or selling securities in the State of Illinois.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceedings.

NOW THEREFORE IT SHALL BE AND IS HEREBY ORDERED THAT:

1. Respondent Gary Peterson (CRD #601746) is permanently **PROHIBITED** from offering and/or selling securities in or from the State of Illinois.
2. The Notice of Hearing issued in this matter is hereby dismissed.

ENTERED: This 6th day of July 2016.



JESSE WHITE
Secretary of State
State of Illinois

Date of Mailing: 11th day of July 2016

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Illinois Securities Law of 1953, as amended, 815 ILCS 5/1 et seq. (the "Act"). Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony.

This is a Final Order subject to judicial review pursuant to the Administrative Review Law, 735 ILCS 5/3-101 et seq. and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. I, Sec. 130.1123. Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review. Mailing of this Order to the Respondent or representative of record constitutes service of the Order.

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