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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

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IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Securities Act of the State
of Washington by:

Beerbaum & Beerbaum Financial and
Insurance Services Inc. and Gary D. Lee,

Respondents.

Order Number S-05-220-11-FO01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW , FINAL ORDER TO
CEASE AND DESIST, ORDER REVOKING
BROKER-DEALER REGISTRATION AND
ORDER DENYING INVESTMENT ADVISER
REGISTRATION AS TO BEERBAUM &
BEERBAUM FINANCIAL AND INSURANCE
SERVICES INC.

INTRODUCTION

On January 23, 2006, the Securities Administrator of the State of Washington issued Summary Order to Cease and Desist and Notice of Intent to Revoke Broker-Dealer Registration, Deny Investment Adviser Registration, Suspend and/or Deny Future Registration, Impose Fines, and Charge Costs S-05-220-05-TO01, hereinafter referred to as "Summary Order," against Respondents Beerbaum & Beerbaum Financial and Insurance Services Inc. and Gary D. Lee.

The Summary Order, together with a Notice of Opportunity to Defend and Opportunity for Hearing, and an Application for Adjudicative Hearing was served on Respondent Beerbaum & Beerbaum Financial and Insurance Services Inc. on or about January 25, 2006. Respondent Beerbaum & Beerbaum Financial and Insurance Services Inc. timely submitted a request for a hearing. On February 4, 2011, Respondent Beerbaum & Beerbaum Financial and Insurance Services Inc. withdrew its request for a hearing.

The Securities Administrator therefore will adopt as final the findings of fact and conclusions of law as set forth in the Summary Order and enter a final order against Respondent Beerbaum & Beerbaum

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ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST AS TO
BEERBAUM & BEERBAUM FINANCIAL
AND INSURANCE SERVICES INC.

1 Financial and Insurance Services Inc. to cease and desist from violations of the Securities Act, revoke its
2 broker-dealer registration and deny its investment adviser application.

3 **FINDINGS OF FACT**

4 **I. RESPONDENTS**

- 5 1. Beerbaum & Beerbaum, Financial and Insurance Services, Inc. (“Beerbaum & Beerbaum”) is a
6 broker-dealer with its principal place of business at 5881 Roblar Road, Petaluma, CA 94952.
7
8 2. Gary D. Lee (“Lee”) is a securities salesperson for Beerbaum & Beerbaum. Lee is a resident of
9 Spokane, Washington.

10 **II. NATURE OF THE CONDUCT**

- 11 3. Beerbaum & Beerbaum opened a branch office in Spokane, Washington in June of 1996 and
12 designated Lee as the branch supervisor. The branch office is located at the residence of Lee.
13
14 4. Lee has been acting as a securities salesperson in the Spokane branch office since 1996 servicing
15 the securities accounts of at least twenty-three Washington households. Lee purchases mutual funds,
16 individual stocks and limited partnerships for clients’ accounts. Lee also assists clients with IRAs. Lee
17 receives commissions from the mutual funds he purchases for clients accounts.
18
19 5. Lee has also provided asset management services to at least two hundred California clients and
20 approximately seven Washington clients since March of 2004 from his Spokane office. Lee’s business
21 card, letterhead and QwestDex yellow page advertisement imply or claim that Lee is a registered
22 investment adviser. Lee prepares and sends newsletters to clients, which include performance returns
and index comparisons. Lee also developed the “All-Star” portfolio management system, a system used

1 in advisory clients' portfolios. Under the All-Star system Lee purchases "valuable" stock "cheap" and
2 then sells the stock when the price rises. For Lee's asset management services clients pay an ongoing
3 management fee deducted from the accounts quarterly. According to the fee agreement the fees are paid
4 to Beerbaum & Beerbaum. Lee also charges fees for specific financial advice and planning.

5 6. Lee and Beerbaum & Beerbaum had an oral agreement that if Beerbaum & Beerbaum handled all
6 regulatory requirements Beerbaum & Beerbaum would receive a percentage of commissions and fees
7 from Lee's accounts.

8 7. Lee stated in a newsletter that he let his securities salesperson and investment adviser licenses lapse
9 for "lack of use" but stated that his "practical experience, plus all the continuing education...plus
10 continuous research keeps [him] well qualified."

11 III. REGISTRATION STATUS

12 8. Beerbaum & Beerbaum did not register as a broker-dealer with the Washington State Securities
13 Division ("the Division") until October of 1997, more than a year after opening the branch office in
14 Spokane, Washington. Beerbaum & Beerbaum was registered with the Division as a broker-dealer from
15 October of 1997 to 1998 and then from October 1999 to August 1, 2006.

16 9. Beerbaum & Beerbaum submitted an investment adviser registration application with the Division
17 in November of 2005 but is not currently registered as an investment adviser in the state of Washington
18 and has not previously been so registered.

19 10. Lee is not currently registered as a securities salesperson in the state of Washington and has not
20 previously been so registered.
21

11. Lee is not currently registered as an investment adviser or investment adviser representative in the state of Washington and has not previously been so registered.

Based upon the above Findings of Fact, the following Conclusions of Law are made:

CONCLUSIONS OF LAW

1. The actions of Beerbaum & Beerbaum Financial and Insurance Services Inc., as described above, constitute a violation of RCW 21.20.040(2) by employing a salesperson that was not registered in the state of Washington. Such action is grounds for revocation of Beerbaum & Beerbaum Financial and Insurance Services Inc.'s broker-dealer registration.

2. The actions of Beerbaum & Beerbaum Financial and Insurance Services Inc., as described above, constitute a violation of RCW 21.20.040 as Beerbaum & Beerbaum Financial and Insurance Services Inc. functioned as an investment adviser while not registered as such in the state of Washington, as defined by RCW 21.20.005(6). Such action is grounds for denial of Beerbaum & Beerbaum Financial and Insurance Services Inc.'s investment adviser registration application.

FINAL ORDER

Based upon the foregoing and finding it in the public interest:

It is hereby ordered that Beerbaum & Beerbaum, Financial and Insurance Services, Inc., its agents, employees, and affiliated entities, each cease and desist from violation of RCW 21.20.040, the section of the Securities Act that requires registration of investment advisers and investment adviser representatives.

1 It is hereby ordered that the broker-dealer registration of Respondent Beerbaum & Beerbaum
2 Financial and Insurance Services Inc. is revoked.

3 It is hereby ordered that Respondent Beerbaum & Beerbaum Financial and Insurance Services
4 Inc.'s application for investment adviser registration is denied.

5 **AUTHORITY AND PROCEDURE**

6 This Final Order is entered pursuant to the provisions RCW 21.20.390, and is subject to the
7 provisions of Chapter 34.05 RCW. Respondent has the right to petition the superior court for judicial
8 review of this agency action under the provisions of Chapter 34.05 RCW. For the requirements for filing a
9 Petition for Judicial Review, see RCW 34.050.510 and sections following.

10 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE**

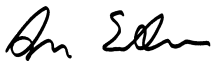
11 DATED and ENTERED this 18th day of February, 2011.

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15 WILLIAM M. BEATTY
16 Securities Administrator

17 Approved By:

18 Presented By:

19 

20 SUZANNE SARASON
21 Chief of Enforcement

22 

23 MARTIN CORDELL
24 Financial Legal Examiner

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26 ENTRY OF FINDINGS OF FACT AND
27 CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST AS TO
BEERBAUM & BEERBAUM FINANCIAL
AND INSURANCE SERVICES INC.

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
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Reviewed by:



ROBERT KONDRAT
Financial Legal Examiner Supervisor

ENTRY OF FINDINGS OF FACT AND
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