

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

IN THE MATTER OF DETERMINING ) Order No.: S-10-185-12-FO01  
Whether there has been a violation of the )  
Securities Act of Washington by: ) ENTRY OF FINDINGS OF FACT AND  
Jerome J. Stellick ) CONCLUSIONS OF LAW AND FINAL ORDER TO  
Respondent. ) DENY FUTURE REGISTRATIONS

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On September 21, 2012, the Securities Administrator of the State of Washington issued Statement of Charges and Notice of Intent to Enter Order to Deny Future Registrations, order number S-10-185-12-SC01, hereinafter referred to as the Statement of Charges.

The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing, hereinafter referred to as “Notice of Opportunity for Hearing,” and an Application for Adjudicative Hearing, hereinafter referred to as “Application for Hearing,” was served on Respondent, Jerome J. Stellick on September 25, 2012. The Notice of Opportunity for Hearing advised Jerome J. Stellick that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the notice. Jerome J. Stellick failed to request an administrative hearing within twenty days of receipt of the Statement of Charges and Notice of Opportunity for Hearing, either on the Application for Hearing provided, or otherwise.

The Securities Administrator therefore will adopt as final the following Findings of Fact and Conclusions of Law as set forth in the Statement of Charges and enter a final order denying any securities salesperson and investment adviser representative registrations Jerome J. Stellick may seek in the future.

The Securities Administrator makes the following findings of fact and conclusions of law:

1 **FINDINGS OF FACT**

2 Respondent

3 1. Jerome J. Stellick (“Stellick”) is a Washington resident. While working in the securities  
4 industry between approximately 1995 and 2008, Stellick had CRD #2665378.

5 Nature of the Conduct

6 *Background*

7 2. Stellick was registered as a securities salesperson and investment adviser representative of  
8 Ameriprise Financial Services, Inc. (“Ameriprise”) in Washington between approximately November 1995  
9 and September 2005.

10 3. Stellick was registered as a securities salesperson and investment adviser representative of  
11 Commonwealth Financial Network (“Commonwealth”) in Washington between approximately September  
12 2005 and January 2006.

13 4. Stellick was registered as a securities salesperson and investment adviser representative of  
14 Centaurus Financial, Inc. (“Centaurus”) in Washington between approximately January 2006 and January  
15 2008 when Centaurus terminated Stellick for cause.

16 *Borrowing from Customers and Advisory Clients*

17 5. Between April 2004 and November 2007, Stellick borrowed \$326,000 from his customers  
18 and advisory clients. All money borrowed was used to continue operations at Stellick’s financial services  
19 business, Jerry Stellick and Associates, Inc., d/b/a The Shield Financial Group. Stellick told each customer  
20 and advisory client from whom he borrowed money that he would not be able to continue the business  
21 without the requested funds. Stellick further shared his calculations for how much money he believed was  
22 needed to maintain operations until money from “future production” would be available. The majority of  
23 these loans were by personal check, while several were by wire transfer.  
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1           6.       While at Ameriprise, Stellick borrowed \$27,000 from one customer in two transactions over  
2 twenty days in April and May 2004. Stellick and this customer signed a document memorializing these  
3 transactions on or around June 17, 2004. This document provided that repayment was due approximately  
4 thirteen months later and for interest to accrue at ten percent “compounded monthly” until repayment had  
5 been made. Stellick also borrowed \$19,000 in October 2004 from a second client. In December 2004,  
6 Stellick borrowed an additional \$10,000 from the first Ameriprise customer to loan Stellick money.

7           7.       Ameriprise’s written procedures allowed borrowing from customers if the lending customers  
8 were immediate family members of the borrowing salesperson. Neither customer described above in  
9 paragraph six of the Findings of Fact is a member of Stellick’s immediate family.

10          8.       While at Commonwealth, Stellick borrowed \$70,000 from a customer in August 2005 and an  
11 additional \$70,000 in November 2005. Stellick and this customer signed a note memorializing these  
12 transactions on or around November 14, 2005. This note provided that repayment was due approximately  
13 thirteen months later and for interest to accrue at ten percent “compounded monthly” until repayment had  
14 been made.

15          9.       Commonwealth’s written procedures allowed borrowing from customers if the lending  
16 customer was an immediate family member of the borrowing salesperson or a financial institution regularly  
17 engaged in the business of lending money. The customer from whom Stellick borrowed money while at  
18 Commonwealth was neither a member of Stellick’s immediate family nor a financial institution regularly  
19 engaged in the business of lending money.

20          10.       In October 2006, while at Centaurus, Stellick borrowed \$100,000 from an investment  
21 advisory client who was not a broker-dealer, an affiliate of Centaurus, or a financial institution engaged in  
22 the business of loaning funds. In August 2007, Stellick borrowed \$10,000 from a customer and an additional  
23 \$10,000 from the advisory client from whom Stellick borrowed \$100,000 in October 2006. On or around  
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1 August 16, 2007, the advisory client and Stellick executed a document memorializing this transaction. The  
2 document provided for repayment within a year, monthly interest payments at fifteen percent, and a “bonus  
3 payment” of \$1,000 upon full repayment. Further, between September and November 2007, Stellick  
4 borrowed \$12,000 over three transactions from another advisory client who was not a broker-dealer, an  
5 affiliate of Centaurus, or a financial institution engaged in the business of loaning funds.

6 11. Centaurus’s written procedures allowed registered representatives to borrow money from  
7 customers or clients if the lending customer or client was a member of the representative’s immediate  
8 family or a financial institution regularly engaged in the business of lending money. The written procedures  
9 also allowed such borrowing if the representative requested approval in writing from Centaurus’s  
10 compliance department prior to borrowing money and such approval was granted. None of the individuals  
11 who lent Stellick money as described in paragraph ten of the Findings of Fact was either a member of  
12 Stellick’s immediate family or a financial institution regularly engaged in the business of lending money.  
13 Furthermore, Stellick never submitted a request to borrow money from clients or customers to Centaurus’s  
14 compliance department.  
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#### 16 *Options Account*

17 12. In or around September 2007, while Stellick was at Centaurus, a customer informed Stellick  
18 that she had approximately \$30,000 that she wished Stellick to invest. Stellick advised the customer that he  
19 could invest this money in options and that he would conduct all trades in an account to be established for  
20 this purpose.

21 13. Shortly after this conversation, Stellick submitted an online application to open a brokerage  
22 account for this customer at a broker-dealer with which Stellick was not associated. Between October 2007  
23 and January 2008, Stellick effected approximately 176 options transactions in the account. Stellick never  
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1 received written authorization from the customer or from the broker-dealer maintaining the account to  
2 exercise such discretion.

3 14. The account had lost nearly half its value after these four months of trading by Stellick.

4 15. Stellick never informed Centaurus in any manner that he had opened the account discussed  
5 above nor did Stellick inform Centaurus in any manner about the transactions he effected in the account.  
6 Moreover, Stellick never informed the broker-dealer maintaining the account of his control over the account  
7 or of his association with Centaurus.

#### 8 *Settlement with FINRA*

9 16. On February 17, 2010, Stellick agreed to a Letter of Acceptance, Waiver, and Consent  
10 (“LAWC”) based on the conduct described above. FINRA accepted the LAWC on March 24, 2010.  
11 Pursuant to the LAWC, Stellick accepted a bar from association with all FINRA members in all capacities.  
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### 13 **CONCLUSIONS OF LAW**

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

15 1. By borrowing money from customers, Stellick has engaged in a dishonest or unethical  
16 practice as defined at WAC 460-22B-090(1). Such conduct is a ground, pursuant to RCW 21.20.110(1)(g)  
17 to deny any securities salesperson registration Stellick may seek in the future.  
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19 2. By borrowing money from investment advisory clients, Stellick has engaged in a dishonest or  
20 unethical practice as defined at WAC 460-24A-220(6). Such conduct is a ground, pursuant to RCW  
21 21.20.110(1)(g), to deny any investment adviser representative registration Stellick may seek in the future.  
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23 3. By borrowing money from customers as described above in paragraphs five through eleven  
24 of the Findings of Fact, Stellick violated FINRA Rule 3240. Such violation constitutes a dishonest or  
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1 unethical practice as defined at WAC 460-22B-090(19) and is a ground to deny, pursuant to RCW  
2 21.20.110(1)(g), any securities salesperson registration Stellick may seek in the future.

3 4. By effecting securities transactions not recorded on the regular books or records of Centaurus  
4 as described in paragraphs twelve through fifteen of the Findings of Fact, Stellick has engaged in a  
5 dishonest or unethical practice as defined at WAC 460-22B-090(2). Such conduct is a ground, pursuant to  
6 RCW 21.20.110(1)(g), to deny any securities salesperson registration Stellick may seek in the future.

7 5. By exercising discretionary authority in effecting transactions for a customer's account  
8 without having obtained the customer's written authorization as described in paragraphs twelve through  
9 fifteen of the Findings of Fact, Stellick has engaged in a dishonest or unethical practice as defined at WAC  
10 460-22B-090(9). Such conduct is a ground, pursuant to RCW 21.20.110(1)(g), to deny any securities  
11 salesperson registration Stellick may seek in the future.

12 6. By exercising discretionary power in a customer's account without having received the  
13 customer's written authorization as described in paragraphs twelve through fifteen of the Findings of Fact,  
14 Stellick has violated NASD Rule 2510. By opening an account with a broker-dealer other than his  
15 employing broker-dealer and failing to notify his employing broker-dealer of the account and failing to  
16 notify the broker-dealer maintaining the account of his association with his employing broker-dealer,  
17 Stellick has violated NASD Rule 3050. Such violations constitute dishonest or unethical practices as defined  
18 at WAC 460-22B-090(19) and are a ground to deny, pursuant to RCW 21.20.110(1)(g), any securities  
19 salesperson registration Stellick may seek in the future.  
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**FINAL ORDER**

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

IT IS HEREBY ORDERED that any securities salesperson or investment adviser representative registrations Jerome J. Stellick may seek in the future will be denied.

**AUTHORITY AND PROCEDURE**

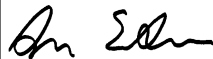
This FINAL ORDER is entered pursuant to the provisions of RCW 21.20.110 and is subject to the provisions of RCW 21.20.120 and RCW 34.05. Respondents have the right to petition the superior court for judicial review of this agency action under the provisions of RCW 34.05. For the requirements for Judicial Review, see RCW 34.05.510 and sections following.

SIGNED and ENTERED this 18th day of October 2012.



William M. Beatty  
Securities Administrator

Approved by:



Suzanne Sarason  
Chief of Enforcement

Presented by:



Edward R. Thunen  
Enforcement Attorney

Reviewed by:



Jack McClellan  
Financial Legal Examiner Supervisor