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

IN THE MATTER OF DETERMINING) Order No.: S-10-185-12-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND NOTICE OF INTENT
Jerome J. Stellick) TO ENTER ORDER TO DENY FUTURE REGISTRATIONS
Respondent.)

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THE STATE OF WASHINGTON TO: Jerome J. Stellick

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STATEMENT OF CHARGES

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Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondent Jerome J. Stellick has violated the Securities Act of Washington. The Securities Administrator believes those violations justify the denial of any securities salesperson and investment adviser representative registrations Jerome J. Stellick may seek in the future pursuant to RCW 21.20.110(1). The Securities Administrator finds as follows:

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TENTATIVE FINDINGS OF FACT

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Respondent

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

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Nature of the Conduct

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Background

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

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

4 4. Stellick was registered as a securities salesperson and investment adviser representative of
5 Centaurus Financial, Inc. (“Centaurus”) in Washington between approximately January 2006 and January
6 2008 when Centaurus terminated Stellick for cause.

7 *Borrowing from Customers and Advisory Clients*

8 5. Between April 2004 and November 2007, Stellick borrowed \$326,000 from his customers
9 and advisory clients. All money borrowed was used to continue operations at Stellick’s financial services
10 business, Jerry Stellick and Associates, Inc., d/b/a The Shield Financial Group. Stellick told each customer
11 and advisory client from whom he borrowed money that he would not be able to continue the business
12 without the requested funds. Stellick further shared his calculations for how much money he believed was
13 needed to maintain operations until money from “future production” would be available. The majority of
14 these loans were by personal check, while several were by wire transfer.

15 6. While at Ameriprise, Stellick borrowed \$27,000 from one customer in two transactions over
16 twenty days in April and May 2004. Stellick and this customer signed a document memorializing these
17 transactions on or around June 17, 2004. This document provided that repayment was due approximately
18 thirteen months later and for interest to accrue at ten percent “compounded monthly” until repayment had
19 been made. Stellick also borrowed \$19,000 in October 2004 from a second client. In December 2004,
20 Stellick borrowed an additional \$10,000 from the first Ameriprise customer to loan Stellick money.

21 7. Ameriprise’s written procedures allowed borrowing from customers if the lending customers
22 were immediate family members of the borrowing salesperson. Neither customer described above in
23 paragraph six of the Tentative Findings of Fact is a member of Stellick’s immediate family.
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1 8. While at Commonwealth, Stellick borrowed \$70,000 from a customer in August 2005 and an
2 additional \$70,000 in November 2005. Stellick and this customer signed a note memorializing these
3 transactions on or around November 14, 2005. This note 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.

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

11 10. In October 2006, while at Centaurus, Stellick borrowed \$100,000 from an investment
12 advisory client who was not a broker-dealer, an affiliate of Centaurus, or a financial institution engaged in
13 the business of loaning funds. In August 2007, Stellick borrowed \$10,000 from a customer and an additional
14 \$10,000 from the advisory client from whom Stellick borrowed \$100,000 in October 2006. On or around
15 August 16, 2007, the advisory client and Stellick executed a document memorializing this transaction. The
16 document provided for repayment within a year, monthly interest payments at fifteen percent, and a “bonus
17 payment” of \$1,000 upon full repayment. Further, between September and November 2007, Stellick
18 borrowed \$12,000 over three transactions from another advisory client who was not a broker-dealer, an
19 affiliate of Centaurus, or a financial institution engaged in the business of loaning funds.
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21 11. Centaurus’s written procedures allowed registered representatives to borrow money from
22 customers or clients if the lending customer or client was a member of the representative’s immediate
23 family or a financial institution regularly engaged in the business of lending money. The written procedures
24 also allowed such borrowing if the representative requested approval in writing from Centaurus’s
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1 compliance department prior to borrowing money and such approval was granted. None of the individuals
2 who lent Stellick money as described in paragraph ten of the Tentative Findings of Fact was either a
3 member of Stellick's immediate family or a financial institution regularly engaged in the business of lending
4 money. Furthermore, Stellick never submitted a request to borrow money from clients or customers to
5 Centaurus's compliance department.

6 *Options Account*

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

11 13. Shortly after this conversation, Stellick submitted an online application to open a brokerage
12 account for this customer at a broker-dealer with which Stellick was not associated. Between October 2007
13 and January 2008, Stellick effected approximately 176 options transactions in the account. Stellick never
14 received written authorization from the customer or from the broker-dealer maintaining the account to
15 exercise such discretion.
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17 14. The account had lost nearly half its value after these four months of trading by Stellick.

18 15. Stellick never informed Centaurus in any manner that he had opened the account discussed
19 above nor did Stellick inform Centaurus in any manner about the transactions he effected in the account.
20 Moreover, Stellick never informed the broker-dealer maintaining the account of his control over the account
21 or of his association with Centaurus.
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Settlement with FINRA

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

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

8 1. By borrowing money from customers, Stellick has engaged in a dishonest or unethical
9 practice as defined at WAC 460-22B-090(1). Such conduct is a ground, pursuant to RCW 21.20.110(1)(g)
10 to deny any securities salesperson registration Stellick may seek in the future.
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12 2. By borrowing money from investment advisory clients, Stellick has engaged in a dishonest or
13 unethical practice as defined at WAC 460-24A-220(6). Such conduct is a ground, pursuant to RCW
14 21.20.110(1)(g), to deny any investment adviser representative registration Stellick may seek in the future.
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16 3. By borrowing money from customers as described above in paragraphs five through eleven
17 of the Tentative Findings of Fact, Stellick violated FINRA Rule 3240. Such violation constitutes a dishonest
18 or unethical practice as defined at WAC 460-22B-090(19) and is a ground to deny, pursuant to RCW
19 21.20.110(1)(g), any securities salesperson registration Stellick may seek in the future.
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21 4. By effecting securities transactions not recorded on the regular books or records of Centaurus
22 as described in paragraphs twelve through fifteen of the Tentative Findings of Fact, Stellick has engaged in
23 a dishonest or unethical practice as defined at WAC 460-22B-090(2). Such conduct is a ground, pursuant to
24 RCW 21.20.110(1)(g), to deny any securities salesperson registration Stellick may seek in the future.
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5. By exercising discretionary authority in effecting transactions for a customer’s account
without having obtained the customer’s written authorization as described in paragraphs twelve through

1 fifteen of the Tentative Findings of Fact, Stellick has engaged in a dishonest or unethical practice as defined
2 at WAC 460-22B-090(9). Such conduct is a ground, pursuant to RCW 21.20.110(1)(g), to deny any
3 securities salesperson registration Stellick may seek in the future.

4 6. By exercising discretionary power in a customer's account without having received the
5 customer's written authorization as described in paragraphs twelve through fifteen of the Tentative Findings
6 of Fact, Stellick has violated NASD Rule 2510. By opening an account with a broker-dealer other than his
7 employing broker-dealer and failing to notify his employing broker-dealer of the account and failing to
8 notify the broker-dealer maintaining the account of his association with his employing broker-dealer,
9 Stellick has violated NASD Rule 3050. Such violations constitute dishonest or unethical practices as defined
10 at WAC 460-22B-090(19) and are a ground to deny, pursuant to RCW 21.20.110(1)(g), any securities
11 salesperson registration Stellick may seek in the future.
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13 **NOTICE OF INTENT TO DENY REGISTRATIONS**

14 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and
15 Conclusions of Law, the Securities Administrator intends to deny any securities salesperson or investment
16 adviser registrations Jerome J. Stellick may seek in the future.
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18 **AUTHORITY AND PROCEDURE**

19 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is
20 subject to the provisions of Chapter 34.05 RCW. The respondent, Jerome J. Stellick, may make a written
21 request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY
22 FOR HEARING accompanying this Order. If the respondent does not make a hearing request in the time
23 allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions
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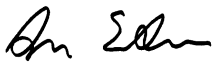
1 of Law as final and to enter a permanent order to deny security salesperson and investment adviser
2 representative registrations.

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4 Signed and Entered this 21st day of September, 2012.

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9 William M. Beatty
Securities Administrator

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13 Approved by:

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16 Suzanne Sarason
Chief of Enforcement

Presented by:

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18 Edward R. Thunen
Enforcement Attorney

19 Reviewed by:

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21
22 Jack McClellan
Financial Legal Examiner Supervisor