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

IN THE MATTER OF DETERMINING) Order No.: S-13-1212-14-CO01
whether there has been a violation of the)
Securities Act of Washington by:) CONSENT ORDER
)
DOUGLAS J DONNELLY (CRD No. 1397094),)
)
Respondent.)

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INTRODUCTION

9 Pursuant to the Securities Act of Washington, Chapter 21.20 RCW, the Securities Administrator of
10 the Department of Financial Institutions Securities Division (“Securities Division”) and the Respondent,
11 Douglas Donnelly, do hereby enter into this CONSENT ORDER in settlement of the matters alleged herein.
12 The Securities Division believes that entry of an agreed Consent Order is in the public interest and is
13 appropriate for the protection of investors. The Securities Division and Mr. Donnelly jointly set forth the
following Findings of Fact and Conclusions of Law.

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FINDINGS OF FACT

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RESPONDENT

19 1. Douglas Donnelly was first registered as a securities salesperson with the Washington State
20 Securities Division in 1985. He has been employed as a securities salesperson or investment adviser
21 representative for 29 years. He is employed as a securities salesperson at Dinosaur Securities, LLC and
an investment adviser representative at Concert Wealth Management. He is on heightened supervision
with both firms. His Central Registration Depository (“CRD”) number is 1397094.

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1 **NATURE OF THE CONDUCT**

2 *Selling Away*

3 2. Prior to participation in a private securities transaction, a securities salesperson must provide
4 written notice to the broker-dealer which the agent represents. Selling securities not recorded on the
5 regular books and records of the broker-dealer without first obtaining written authorization from the
6 broker-dealer is called "Selling Away."

7 3. From July 2003 to March 2012, Respondent was employed as a securities salesperson or
8 investment adviser representative at Wells Fargo Advisors, LLC ("Wells Fargo").

9 4. In June 2010, Mr. Donnelly invested \$200,000 in a private placement. Before this
10 investment, Mr. Donnelly obtained written permission to invest in more than 20 private placement
11 offerings. He did not disclose this private placement transaction to Wells Fargo, the broker-dealer he
12 represented. He did not think it was necessary or required because the company had been publicly traded.

13 5. In addition to his investment, Mr. Donnelly sent information about the private placement to
14 potential investors from his Wells Fargo email account. He held meetings at his Wells Fargo office to
15 introduce his Wells Fargo clients to the company's personnel. He provided disclosure information about the
16 company to potential investors.

17 6. Mr. Donnelly introduced approximately 40 individuals to the private placement who invested
18 approximately \$4,000,000. Of those investors approximately 30 were his Wells Fargo clients that invested
19 approximately \$2,000,000.

20 7. The private placement was only available to accredited investors. An accredited investor, in
21 general, is an individual with a net worth of over \$1,000,000 excluding the person's residence or with
22 income of \$200,000 in the past two years with a reasonable expectation of the same income level for the
23 current year. Mr. Donnelly allowed two non-accredited investors to pool their funds and invest in an
24 accredited investor's name.

25 8. Wells Fargo investigated and terminated Mr. Donnelly for introducing firm clients to the
private placement without written approval.

Failing to Disclose a Material Fact

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2 9. Upon his termination at Wells Fargo in March 2012, Mr. Donnelly was employed at
3 Northwest Asset Management, LLC (“Northwest Asset Management”) as an investment adviser
4 representative. In July 2012, Investor G, a client of Mr. Donnelly, was a victim of identity theft when her
5 email account was hacked. The hacker impersonated Investor G and sent Mr. Donnelly an email from
6 Investor G’s email address requesting Mr. Donnelly wire transfer funds out of Investor G’s account.

7 10. Northwest Asset Management had a policy that required the investor to sign a wire transfer
8 request form before the wire transfer request was submitted to the custodian. Mr. Donnelly requested
9 Investor G sign a wire transfer request form; however, Investor G was traveling and did not respond to Mr.
10 Donnelly’s request. He signed Investor G’s name on the wire transfer request form and submitted the form
11 he signed to the custodian. Northwest Asset Management had a policy against salespersons signing a
12 client’s name for the client; however, Mr. Donnelly thought that is what the investor would want him to do.

13 11. Subsequent emails from the hacker caused Mr. Donnelly to be suspicious of the request and
14 Mr. Donnelly cancelled the wire transfer. No money was wired from Investor G’s account. Mr. Donnelly
15 did not report the identity theft to Northwest Asset Management.

16 12. Northwest Asset Management discovered the attempted theft of Investor G’s identity and
17 requested documents from Mr. Donnelly. Mr. Donnelly did not disclose that he had signed the wire transfer
18 request form on behalf of the client.

19 13. Mr. Donnelly was terminated from Northwest Asset Management.

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CONCLUSIONS OF LAW

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22 1. Mr. Donnelly effected securities transactions not recorded on the regular books or records of
23 the broker-dealer when he facilitated investments in the private placement by his Wells Fargo clients
24 between June 2010 and April 2011 in violation of WAC 460-22B-090(2). Such conduct is grounds for the
25 imposition of a fine under RCW 21.20.110(1)(b) and (g).

1 **AUTHORITY AND PROCEDURE**

2 This Order is entered pursuant to the provisions of chapter 21.20 RCW and is subject to the
3 provisions of RCW 21.20.120 and Chapter 34.05 RCW. The Respondent has been notified of his right to
4 an administrative hearing and has waived his right to a hearing.

5 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

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7 Signed this 21st day of January, 2014.

8 Signed by:

9 HILLIS CLARK MARTIN & PETERSON

10
11 /s/
12 Michael Scott, WSBA # 12822
13 Attorney for Douglas Donnelly

14 Signed by:

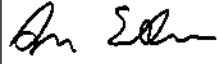
15 /s/
16 DOUGLAS J DONNELLY, CRD # 1397094

17 SIGNED and ENTERED this 29th day of January 2015.

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21 William M. Beatty
22 Securities Administrator

23 Approved by:

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25 Suzanne Sarason
Chief of Enforcement

Presented by:



Kristen Standifer
Financial Legal Examiner

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