

1 STATE OF WASHINGTON
2 DEPARTMENT OF FINANCIAL INSTITUTIONS
3 SECURITIES DIVISION

4 IN THE MATTER OF DETERMINING) Order No.: S-17-2291-17-CO01
5 whether there has been a violation of the)
6 Securities Act of Washington by:) CONSENT ORDER
7)
8 Patrick J. Costello,)
9 Columbia Wealth Management, LLC;)
10)
11 Respondents.)

12 INTRODUCTION

13 On October 6, 2017, the Securities Administrator of the state of Washington issued Summary Order
14 Suspending Investment Adviser Registration and Investment Adviser Representative Registration and Notice
15 of Intent to Revoke Registration, and Enter an Order to Cease and Desist, Deny Future Registrations, Impose
16 Fines, and Recover Costs (“Summary Order”), Order number S-17-2291-17-TO01, against Respondents
17 Patrick J. Costello and Columbia Wealth Management, LLC. The Securities Division and the Respondents,
18 Patrick J. Costello and Columbia Wealth Management, LLC; do hereby agree to this Consent Order in
19 settlement of the above captioned matter. The Securities Division has, in the Summary Order, made certain
20 allegations and conclusions, set forth under the headings “Tentative Findings of Fact” and “Conclusions of
21 Law.” Respondents, Patrick J. Costello and Columbia Wealth Management, LLC; neither admit nor deny the
22 Findings of Fact and Conclusions of Law as stated below.

23 FINDINGS OF FACT

24 Respondents

25 1. Columbia Wealth Management, LLC (“Columbia WM”) is a Washington limited liability
company formed on January 2, 2015. Columbia WM maintained its principal place of business at 904 12th
Avenue, in Longview, Washington. On March 14, 2016, Columbia WM became registered as an investment
adviser with the State of Washington. As recently as March 31, 2017, Columbia WM claimed to have
\$16,000,000 in assets under management and 174 discretionary accounts. Columbia WM has a Central
Registration Depository (“CRD”) number of 282951.

1 5. On March 15, 2017, Costello was arrested for shoplifting at a Costco in Vancouver,
2 Washington. On or about March 17, 2017, Costello was charged in Clark County District Court with theft
3 in the third degree, a gross misdemeanor ("Charge 3"). On July 11, 2017, Costello pleaded guilty to theft
4 in the third degree in Clark County District Court ("Conviction 3"). On August 16, Costello was ordered to
5 serve three days imprisonment beginning on August 23, 2017.

6 6. On August 2, 2017, Costello was charged in Cowlitz County Superior Court with four
7 felonies: three counts of possession of a controlled substance ("Charge 4, Charge 5, and Charge 6") and one
8 count of possessing a stolen firearm ("Charge 7"). These charges are still pending.

9 7. On September 7, 2017, Costello was charged in Clark County Superior Court with three
10 felonies: one count of identity theft in the second degree ("Charge 8"), one count of possession of a
11 controlled substance (methamphetamine) ("Charge 9"), and one count of forgery ("Charge 10"). Costello
12 was also charged with one count of theft in the third degree, a gross misdemeanor ("Charge 11"). These
13 charges are still pending.
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15 *False Form ADV Filings*

16 8. Form ADV is a uniform disclosure form used by investment advisers to register with the SEC
17 and state securities authorities. An investment adviser provides information about its business, ownership,
18 clients, and affiliations in the Form ADV. Form ADV also requires the investment adviser to answer certain
19 disclosure questions.

20 9. Item 11A of Form ADV asks investment advisers whether any advisory affiliate (including
21 control persons) has been charged with, or convicted of, any felony in the past ten years. Item 11B of Form
22 ADV asks investment advisers whether any advisory affiliate (including control persons) has been charged
23 with, or convicted of, any misdemeanor involving fraud, false statement, wrongful taking of property, or
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1 forgery, in the past ten years. A 'Yes' answer to either Item 11A or 11B requires the adviser to provide details
2 of the charges or convictions.

3 10. In its March 31, 2017 amendment to Form ADV, Columbia WM falsely answered 'No' to
4 both Item 11A and 11B. At the time of the filing, Columbia WM's control person, Costello, had been charged
5 with two felonies (Charge 1 & Charge 2) and one misdemeanor involving wrongful taking of property
6 (Charge 3). Costello, as the control person for Columbia WM, signed the March 31, 2017 amendment. In
7 doing so, Costello falsely certified that the information in the Form ADV was true and correct.

8 *Failure to Update Form ADV*

9 11. Under WAC 460-24A-205, each investment adviser must promptly file a notice of changes
10 regarding their business on their Form ADV. An amendment is considered promptly filed if it is filed within
11 30 days of the event that requires the filing of the amendment.

12 12. Some of Costello's criminal charges and convictions required Columbia WM to file an
13 amended Form ADV to change answers to Items 11A and/or 11B. Columbia WM failed to file an amended
14 Form ADV within 30 days of each of the following charges or convictions: Charge 1, Charge 2, Charge 3,
15 Conviction 3, Charge 4, Charge 5, Charge 6, and Charge 7.

16 13. Additionally, Columbia WM has yet to amend its Form ADV to reflect Charge 8, Charge 9,
17 Charge 10, or Charge 11. When Columbia WM did not amend its Form ADV to reflect those charges by
18 October 9, 2017, it failed to promptly file those updates.

19 *Failure to Update Form U4*

20 14. Form U4 is a uniform application that individuals must complete in order to register as
21 securities salespersons or investment adviser representatives. Form U4 contains history and background
22 information of applicants, including criminal history.
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1 15. Item 14A of Form U4 asks applicants whether they have ever been charged with, or convicted
2 of, any felony. Item 14B of Form U4 asks applicants whether they have ever been charged with, or convicted
3 of, any misdemeanor involving fraud, false statements or omissions, wrongful taking of property, or forgery,
4 among other offenses.

5 16. Under WAC 460-24A-205, investment adviser representatives have a continuing obligation
6 to update the information required by Form U4 as changes occur. Investment adviser representatives must
7 promptly file with the Investment Adviser Registration Depository (“IARD”) any amendments to their Form
8 U4. An amendment is considered promptly filed if it is filed within 30 days of the event that requires the
9 filing of the amendment.

10 17. Some of Costello’s criminal charges and convictions required him to file an amended Form
11 U4 to change answers to Items 14A and/or 14B. Costello failed to file an amended Form U4 within 30 days
12 of each of the following charges or convictions: Charge 1, Charge 2, Charge 3, Conviction 3, Charge 4,
13 Charge 5, Charge 6, and Charge 7.

14 18. Additionally, Costello has yet to amend his Form U4 to reflect Charge 8, Charge 9, Charge
15 10, or Charge 11. When Costello did not amend his Form U4 to reflect those charges by October 9, 2017, he
16 failed to promptly file those amendments.

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18 *Books and Records Violation*

19 19. The records of an investment adviser are subject to examination by the Securities Division.
20 Investment advisers must maintain certain books and records, including copies of advisory contracts and
21 other client related records. Investment advisers must maintain and preserve the required records for at least
22 five years from the end of the fiscal year during which the last entry was made on the record. Columbia WM
23 failed to maintain these required records.
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1 such conduct is grounds to charge costs incurred in the administrative investigation and hearing of this
2 matter.

3 3. Columbia WM violated WAC 460-24A-205 because it failed to promptly file amendments to
4 its Form ADV to reflect criminal charges or convictions against its control person, Costello, as described
5 above in the Tentative Findings of Fact. Pursuant to RCW 21.20.110(1)(a) and RCW 21.20.110(1)(b), such
6 conduct is grounds for a fine, suspension and/or revocation of Columbia WM's registration as an investment
7 adviser, and denial of any future investment adviser, broker-dealer, investment adviser representative, or
8 securities salesperson applications that Columbia WM may file. Pursuant to RCW 21.20.110(7), such
9 conduct is grounds to charge costs incurred in the administrative investigation and hearing of this matter.

10 4. Costello violated WAC 460-24A-205 because he failed to promptly file amendments to his
11 Form U4 to reflect criminal charges or convictions that were filed against him, as described above in the
12 Tentative Findings of Fact. Pursuant to RCW 21.20.110(1)(a) and RCW 21.20.110(1)(b), such conduct is
13 grounds for a fine, suspension and/or registration of Costello's registration as an investment adviser
14 representative, and denial of any future investment adviser, broker-dealer, investment adviser representative,
15 or securities salesperson applications that Costello may file. Pursuant to RCW 21.20.110(7), such conduct is
16 grounds to charge costs incurred in the administrative investigation and hearing of this matter.

17 5. Columbia WM violated WAC 460-24A-200 because it failed to maintain required books and
18 records, including records to identify its clients. Pursuant to RCW 21.20.110(1)(b), such conduct is grounds
19 for a fine, suspension and/or revocation of Columbia WM's registration as an investment adviser, and denial
20 of any future investment adviser, broker-dealer, investment adviser representative, or securities salesperson
21 applications that Columbia WM may file. Pursuant to RCW 21.20.110(7), such conduct is grounds to charge
22 costs incurred in the administrative investigation and hearing of this matter.
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CONSENT ORDER

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

2 IT IS AGREED AND ORDERED that Patrick J. Costello and Columbia Wealth Management, LLC,
3 their agents and employees, each cease and desist from violations of RCW 21.20.350 and WAC 460-24A-
4 205.

5 IT IS FURTHER AGREED AND ORDERED that the investment adviser representative registration
6 of Patrick J. Costello is hereby revoked.

7 IT IS FURTHER AGREED AND ORDERED that the investment adviser registration of Columbia
8 Wealth Management, LLC is hereby revoked.

9 IT IS FURTHER AGREED AND ORDERED that any investment adviser, broker-dealer, investment
10 adviser representative, or securities salesperson applications for registration that Patrick J. Costello may file
11 in the future will be denied.

12 IT IS FURTHER AGREED AND ORDERED that any investment adviser, broker-dealer, investment
13 adviser representative, or securities salesperson applications for registration that Columbia Wealth
14 Management, LLC may file in the future will be denied.

15 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

16 IT IS FURTHER AGREED that Respondents, Patrick J. Costello and Columbia Wealth Management,
17 LLC; enter into this Consent Order freely and voluntarily and with a full understanding of its terms and
18 significance.

19 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents, Patrick J. Costello
20 and Columbia Wealth Management, LLC; each waive their right to a hearing and to judicial review of this
21 matter.

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23 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

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25 Signed this 12th day of December 2017.

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Signed by:

/s/
Patrick J. Costello, Individually

Signed by:

Columbia Wealth Management, LLC

/s/
Patrick J. Costello
Control Person

SIGNED and ENTERED this 3rd day of January 2018 .



William M. Beatty
Securities Administrator

Approved by:

Suzanne Sarason
Chief of Enforcement

Presented by:

Jack McClellan
Financial Legal Examiner

