

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order Number S-17-2291-17-TO01
Whether there has been a violation of the)
Securities Act of Washington by:) SUMMARY ORDER SUSPENDING
) INVESTMENT ADVISER
Patrick John Costello;) REGISTRATION AND INVESTMENT
Columbia Wealth Management, LLC;) ADVISER REPRESENTATIVE
) REGISTRATION AND NOTICE OF
Respondents) INTENT TO REVOKE REGISTRATION,
) AND ENTER ORDER TO CEASE AND
) DESIST, DENY FUTURE
) REGISTRATIONS, IMPOSE FINES, AND
) RECOVER COSTS

THE STATE OF WASHINGTON TO: Patrick John Costello (CRD# 4187665)
Columbia Wealth Management, LLC
(CRD# 282951)

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents Columbia Wealth Management, LLC and Patrick John Costello, have each violated the Securities Act of Washington and that their violations justify the suspension and revocation of Patrick J. Costello's investment adviser representative registration and Columbia Wealth Management, LLC's investment adviser registration under RCW 21.20.110(1). The Securities Administrator further has reason to believe that those violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations, under RCW 21.20.110(7) and RCW 21.20.390 to

SUMMARY ORDER SUSPENDING
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1 recover costs, under RCW 21.20.110(1) to deny future registrations, and under RCW
2 21.20.395 and RCW 21.20.110(1) to impose fines.

3 The Securities Administrator finds that delay in suspending Respondent Columbia
4 Wealth Management, LLC's investment adviser registration and Patrick J. Costello's
5 investment adviser representative registration would be hazardous to the public interest and is
6 necessary or appropriate for the protection of investors and that a Summary Order should be
7 entered immediately. The Securities Administrator finds as follows:
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9 **TENTATIVE FINDINGS OF FACT**

10 Respondents

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

18 2. Patrick J. Costello ("Costello") is a resident of Longview, Washington. Costello
19 is the owner, sole investment adviser representative, and sole control person of Columbia WM.
20 Costello has been registered with the State of Washington as investment adviser representative
21 at various firms since 2000, and was previously registered as a securities salesperson between
22 July 2000 and August 2016. Costello worked as a registered securities salesperson and
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1 investment adviser representative at Edward Jones, until he was terminated in 2014. Between
2 approximately January 2015 and March 2016, Costello worked as a registered securities
3 salesperson and investment adviser representative at Raymond James. Costello was permitted
4 to resign for participating in an outside business activity without firm approval. Between March
5 2016 and August 2016, Costello worked as a registered securities salesperson at Private Client
6 Services, LLC. Costello has a CRD number of 4187665.

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8 Nature of the Conduct

9 3. As registrants with the Securities Division, Costello and Columbia WM each
10 had a duty to notify the Securities Division when Costello was charged or convicted of certain
11 crimes. Certain criminal charges or convictions can form a basis to suspend or revoke
12 registrations. Beginning in August of 2016, Costello was charged with multiple crimes which
13 he failed to report to the Securities Division. Additionally, in filings to the Division, Costello
14 and Columbia WM falsely represented that Costello had not been charged with any felonies.

15 *Costello's Criminal Charges & Convictions*

16 4. On August 23, 2016, Costello was charged in Cowlitz County Superior Court
17 with malicious mischief in the first degree, a felony ("Charge 1"), and possession of a
18 controlled substance without a valid prescription, a felony ("Charge 2"). On March 27, 2017,
19 Costello entered a guilty plea and was convicted of malicious mischief in the third degree, a
20 gross misdemeanor ("Conviction 1"), and convicted of using drug paraphernalia, a
21 misdemeanor ("Conviction 2").
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1 18. Additionally, Costello has yet to amend his Form U4 to reflect Charge 8, Charge
2 9, Charge 10, or Charge 11. If Costello does not amend his Form U4 to reflect those charges by
3 October 9, 2017, he will have failed to have promptly filed those amendments.

4 *Books and Records Violation*

5 19. The records of an investment adviser are subject to examination by the
6 Securities Division. Investment advisers must maintain certain books and records, including
7 copies of advisory contracts and other client related records. Investment advisers must maintain
8 and preserve the required records for at least five years from the end of the fiscal year during
9 which the last entry was made on the record. Columbia WM failed to maintain these required
10 records.
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12 20. Between June 2017 and September 2017, examination staff from the Securities
13 Division attempted to schedule an examination of Columbia WM. In the process of scheduling
14 the exam the examiner requested copies of the required books and records from Costello,
15 including records that would identify Columbia WM's clients.

16 21. Costello told the examiner that he was unable to obtain any records from
17 Columbia WM's clients' custodian as the custodian terminated its relationship with Columbia
18 WM. Costello also represented that he gave all of Columbia WM's books and records to an
19 individual who is registered as an investment adviser representative of a federal covered
20 adviser. However, this individual represented to the Division that while he has some records
21 from Costello, they are not all of Columbia WM's required books and records.
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1 in the Tentative Findings of Fact. Pursuant to RCW 21.20.110(1)(a) and RCW 21.20.110(1)(b),
2 such conduct is grounds for the following sanctions: fines against Columbia WM and Costello;
3 suspension and/or revocation of Columbia WM's registration as an investment adviser and
4 Costello's registration as an investment adviser representative; denial of any future investment
5 adviser, broker-dealer, investment adviser representative, or securities salesperson applications
6 that Columbia WM and Costello may file. Pursuant to RCW 21.20.110(7), such conduct is
7 grounds to charge costs incurred in the administrative investigation and hearing of this matter.
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9 3. Columbia WM violated WAC 460-24A-205 because it failed to promptly file
10 amendments to its Form ADV to reflect criminal charges or convictions against its control
11 person, Costello, as described above in the Tentative Findings of Fact. Pursuant to RCW
12 21.20.110(1)(a) and RCW 21.20.110(1)(b), such conduct is grounds for a fine, suspension and/or
13 revocation of Columbia WM's registration as an investment adviser, and denial of any future
14 investment adviser, broker-dealer, investment adviser representative, or securities salesperson
15 applications that Columbia WM 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.
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18 4. Costello violated WAC 460-24A-205 because he failed to promptly file
19 amendments to his Form U4 to reflect criminal charges or convictions that were filed against
20 him, as described above in the Tentative Findings of Fact. Pursuant to RCW 21.20.110(1)(a) and
21 RCW 21.20.110(1)(b), such conduct is grounds for a fine, suspension and/or registration of
22 Costello's registration as an investment adviser representative, and denial of any future
23 investment adviser, broker-dealer, investment adviser representative, or securities salesperson
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1 applications that Costello may file. Pursuant to RCW 21.20.110(7), such conduct is grounds to
2 charge costs incurred in the administrative investigation and hearing of this matter.

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

12 Based on the foregoing and finding it in the public interest,

13 NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED that the investment
14 adviser representative registration of Patrick J. Costello, be, and hereby is, summarily suspended
15 pending a final determination in this proceeding.

16 NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED that the investment
17 adviser registration of Columbia Wealth Management, LLC be, and hereby is, summarily
18 suspended pending a final determination in this proceeding.
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20 **NOTICE OF INTENT TO REVOKE REGISTRATIONS**

21 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact
22 and Conclusions of Law, the Securities Administrator intends to order that the investment
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1 adviser representative registration of Patrick J. Costello, and the investment adviser registration
2 of Columbia Wealth Management, LLC be revoked.

3 **NOTICE OF INTENT TO DENY FUTURE REGISTRATIONS**

4 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact
5 and Conclusions of Law, the Securities Administrator intends to deny any investment adviser,
6 broker-dealer, investment adviser representative, or securities salesperson applications for
7 registration that Columbia Wealth Management, LLC may file in the future.
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9 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact
10 and Conclusions of Law, the Securities Administrator intends to deny any investment adviser,
11 broker-dealer, investment adviser representative, or securities salesperson applications for
12 registration that Patrick J. Costello may file in the future.

13 **NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST**

14 Pursuant to 21.20.390(1) and based on the above Tentative Findings of Fact and
15 Conclusions of Law, the Securities Administrator intends to order, that Columbia Wealth
16 Management, LLC, Patrick J. Costello, and their agents and employees, each cease and desist
17 from violations of RCW 21.20.350 and WAC 460-24A-205.
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19 **NOTICE OF INTENT TO IMPOSE FINES**

20 Pursuant to RCW 21.20.110(1) and RCW 21.20.395, and based upon the above
21 Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to
22 order that Respondent Columbia Wealth Management, LLC shall be liable for and shall pay a
23 fine of \$10,000.
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1 Pursuant to RCW 21.20.110(1) and RCW 21.20.395, and based upon the above
2 Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to
3 order that Respondent Patrick J. Costello shall be liable for and shall pay a fine of \$20,000.

4 **NOTICE OF INTENT TO RECOVER COSTS**

5 Pursuant to RCW 21.20.110(7) and RCW 21.20.390, and based upon the above
6 Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to
7 order that Respondents Patrick J. Costello and Columbia Wealth Management, LLC, shall be
8 jointly liable for and shall pay the costs, fees, and other expenses incurred in the administrative
9 investigation and hearing of this matter, in an amount not less than \$1,000.

10 **AUTHORITY AND PROCEDURE**

11 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW
12 and is subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. The respondents,
13 Patrick J. Costello and Columbia Wealth Management, LLC may each make a written request
14 for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND
15 OPPORTUNITY FOR HEARING accompanying this Order.
16

17 If the respondent does not make a hearing request in the time allowed, the Securities
18 Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as
19 final as to that Respondent, and as described above, enter a permanent order to cease and desist,
20 to revoke registrations and bar future registrations, and impose the fines and costs sought.
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22 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

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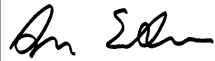
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Signed and Entered this 6th day of October 2017.



William M. Beatty
Securities Administrator

Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Jack McClellan
Financial Legal Examiner

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