

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

4 IN THE MATTER OF DETERMINING)
5 whether there has been a violation of the)
6 Securities Act of Washington by:)
7)
8 Catalyst Management Group, LLC, d.b.a. Catalyst)
9 Investment Club; Jeffrey M. Slowik, a.k.a. Jeff)
10 Slowik; Michelangelo Viliami Domine, a.k.a. Miki)
11 Domine; and Rollin P. Shatto, a.k.a. Rollie Shatto,)
12)
13 Respondents.)

Order No. S-10-026-14-CO-01

CONSENT ORDER

as to

CATALYST MANAGEMENT GROUP, LLC

and **JEFFREY M. SLOWIK**

14 **INTRODUCTION**

15 On June 6, 2014, the Securities Administrator of the State of Washington issued a Statement of Charges and
16 Notice of Intent to Enter Order to Cease and Desist, to Impose a Fine and to Charge Costs, S-10-026-13-SC02 against
17 Respondents, Catalyst Management Group, LLC, d.b.a. Catalyst Investment Club; Jeffrey M. Slowik, a.k.a. Jeff
18 Slowik; Michelangelo Viliami Domine, a.k.a. Miki Domine, and Rollin P. Shatto, a.k.a. Rollie Shatto. Pursuant to
19 the Securities Act of Washington, RCW 21.20, the Securities Division of the Department of Financial Institutions
20 (“Securities Division”) and Respondents, Catalyst Management Group, LLC and Jeffrey M. Slowik, do hereby enter
21 into this CONSENT ORDER in settlement of the above-captioned matter. Respondents Catalyst Management Group,
22 LLC and Jeffrey M. Slowik neither admit nor deny the Findings of Fact and Conclusions of Law as stated below.

23 **FINDINGS OF FACT**

24 **I.**

25 Respondents

1. Catalyst Management Group, LLC (Catalyst), d.b.a. Catalyst Investment Club (the Club), is a Nevada
limited liability company with its principal place of business in Maple Valley, Washington.

2. Jeffrey M. Slowik (Slowik), is a co-managing member of Catalyst and a resident of Maple Valley,
WA. Slowik has been licensed with the Washington Office of the Insurance Commissioner as an insurance producer,
license number 249906, since 2009.

3. Michelangelo Viliami Domine (Domine) is a co-managing member of Catalyst and a resident of West
Covina, California.

1 4. Rollin P. Shatto (Shatto) is a Washington resident. Shatto was formerly licensed with the
2 Washington Office of the Insurance Commissioner as an insurance agent, OIC#266510 from 2006 to 2011 and the
3 Washington Dept. of Financial Institutions-Consumer Services Division as a loan originator, #510-LO-35870, in
4 2007.

5 II.

6 Nature of the Conduct

7 *Investment Pool/Investment Club*

8 5. In 2008, Respondents Slowik and Domine offered to Washington and other state residents an
9 investment scheme in which they pooled the investors' money into a communal account for the express purpose of
10 investing in a variety of investment options. Respondents described the investment pool in marketing materials as the
11 Catalyst Investment Club (the Club). Respondents Catalyst Management Group, LLC, Jeffrey M. Slowik, and
12 Michelangelo Viliami Domine were to make investment recommendations to and decisions on behalf of investors in
13 the investment pool/Club and receive compensation in the form of management fees and other fees for managing the
14 group's investments. Respondents were to receive 30% of the net profits of the investment pool/Club.

15 6. Respondents Slowik and Domine recruited investors in person, by word of mouth, and through the
16 distribution of a flyer that explained the purpose and goals of the Club. Slowik and Domine did not contribute any
17 capital to the investment pool/Club and recruited at least seven individuals to invest funds through the investment
18 pool/Club. At least five of the investors were Washington residents, one a California resident, and one a Nevada
19 resident. At the time of investment, no formal structure was created for the Club and no meetings of the Club were
20 held. Most investors never had any form of contact with one another. Investors did not participate in the management
21 of the investment pool/Club or in the purchase and sale of investments made on their behalf.

22 7. Respondents Catalyst, Slowik, and Domine recommended two different investments that were
23 purchased by investors in the investment pool/Club. The first was what Respondents described as "bond investments"
24 and the second was a "medium term note." Collectively, the Respondents raised at least \$1,500,000 from investors
25 through the investment pool/Club. Respondents collected at least \$175,000 of investors' funds as their compensation
for managing the "bond investments" and medium term note transactions.

Finder's Fee

8. Respondents Catalyst and Slowik paid Rollin P. Shatto, one of the Washington investors and a former
co-worker of Slowik, a "finder's fee" for recruiting investors to the investment pool/Club. Shatto's finder's fee was
based on a percentage of the money invested by others with the investment pool. Slowik paid Shatto a finder's fee on
four separate occasions for a total of approximately \$1,246.

Bond Investment

1 9. Slowik and Domine distributed a one page document entitled “INVERSE FLOATER BOND
2 INVESTMENT” to prospective investors. In the document, Slowik and Domine represented that “Historically, the
3 club has seen gross returns of 2 to 5 percent, with the broker’s intention to sell the bonds on the clubs [*sic*] behalf if
4 returns should fall below 1.5% on a given month.” Slowik and Domine stated that the qualifications for the
5 investment required membership in the Investment Club and required a minimum \$100,000 to a \$2,000,000 maximum
6 investment. However, Catalyst represented that, as the Managing Director, it could pool an investor’s money with
7 other members to purchase a bond. Slowik and Domine did in fact pool investors’ money into a single account in
8 order to purchase “bond investments.” Investors’ money was initially transferred into a personal account for Slowik at
9 the Andrew Garrett brokerage firm and later transferred to an account at the firm that was later created for Catalyst.

10 10. Respondents Slowik and Domine paid themselves approximately \$100,000 in fees for management of
11 the investment pool/Club bond investments.

12 11. The Respondents solicited at least \$875,000 from seven investors for bond investments from 2008 to
13 2009 and had returned approximately \$727,000 to investors by February, 2014. The balance available to be
14 distributed to the investors is estimated to be at less than \$3,000 at the end of February, 2014.

Bond Anti-fraud violations

15 12. Respondents Catalyst Management Group, LLC, Jeffrey M. Slowik, and Michelangelo Viliami
16 Domine misrepresented to investors that the Club had historically seen gross returns of 2 to 5 percent when they had
17 no basis in fact for such a statement.

18 13. Respondents Catalyst Management Group, LLC, Jeffrey M. Slowik, and Michelangelo Viliami
19 Domine represented to investors that they would use registered brokers in purchasing investments, but paid Rollin
20 Shatto approximately \$1,246 in finder’s fees for recruiting investors and relied on the advice of and paid to California
21 resident John Terence Baxter, a.k.a. Terry Baxter (Baxter) approximately \$70,000 in commissions and fees in
22 connection with “bond” purchases. Neither Rollin Shatto nor John Baxter was registered as a broker-dealer or a
23 securities salesperson with the Securities & Exchange Commission or with any state securities regulatory authority.
24 John Baxter was not registered as an investment adviser with the Securities & Exchange Commission or as an
25 investment adviser or investment adviser representative with any state securities regulatory authority.

 14. Respondents Catalyst Management Group, LLC, Jeffrey M. Slowik, and Michelangelo Viliami
Domine failed to disclose material facts to investors regarding the risks of bond trading, such as market, interest rate,
and prepayment risk.

Medium Term Notes

 15. In 2009, Respondent Domine contacted one of the Washington investors in the investment pool/Club
regarding the opportunity to invest in a “medium term note” that Domine represented was going to yield between two

1 to four per cent on a monthly basis. Domine told the investor that the investor would pay a reduced management fee
2 for the investment. The Washington investor invested \$625,000 in "medium term notes." Catalyst deposited the
3 investor's money into a one of its bank accounts. Domine withheld \$55,000 and forwarded the remaining \$570,000 to
4 a third party located in Hawaii. The investor has not been repaid his investment.

5 *Medium Term Note Anti-fraud violations*

6 16. Respondent Domine misrepresented to an investor that the medium term note investment was going to
7 yield between two to four per cent on a monthly basis when he had no basis in fact for such statement.

8 17. Respondent Domine did not provide the investor with the material information about the investment
9 such as the upfront fees that were to be taken out of the investment, the background of the issuer, the persons
10 managing the investment, the risks of the investment, and issuer financial information, including financial statements.

11 **III.**

12 Registration Status

13 18. Catalyst Management Group, LLC, Jeffrey M. Slowik, and Michelangelo Viliami Domine are not
14 currently registered to sell securities in the state of Washington and have not previously been so registered, nor have
15 they filed a claim of exemption from registration.

16 19. Jeffrey M. Slowik, Michelangelo Viliami Domine, and Rollin Shatto are not currently registered as a
17 securities salesperson or broker-dealer in the state of Washington and have not previously been so registered.

18 20. Catalyst Management Group, LLC is not currently registered as an investment adviser in the state of
19 Washington and has not previously been so registered.

20 21. Jeffrey M. Slowik and Michelangelo Viliami Domine are not currently registered as an investment
21 adviser or investment adviser representative in the state of Washington and have not previously been so registered.

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

23 **CONCLUSIONS OF LAW**

24 **I.**

25 The offer and/or sale of investment pool, investment club membership, bond investments, and medium term
notes described above constitute the offer and/or sale of a security as defined in RCW 21.20.005(14) and (17) to wit:
an investment contract, note and/or evidence of indebtedness.

II.

The offers and/or sales of said securities by Catalyst Management and Slowik are in violation of RCW
21.20.140 because no registration for such offers and/or sales is on file with the Securities Administrator.

III.

Catalyst Management Group, LLC has violated RCW 21.20.040(1) by offering and/or selling said securities while not being registered as a broker-dealer in the state of Washington.

IV.

Jeffrey M. Slowik has violated RCW 21.20.040(1) by offering and/or selling said securities while not being registered as a broker-dealer or securities salesperson in the state of Washington.

V.

The offer and/or sale of said securities was made in violation of RCW 21.20.010 because Respondents Catalyst and Slowik misrepresented to investors that they would only be dealing with registered brokers, misrepresented the expected rate of investment returns, and failed to disclose the material facts about the investments to be acquired on behalf of investors such as the risks of the investments, and financial information, including financial statements of issuers.

VI.

Catalyst Management Group, LLC has violated RCW 21.20.040(3) by providing investment advice to investors for compensation while not registered as an investment adviser in the state of Washington.

VII.

Jeffrey M. Slowik has violated RCW 21.20.040(3) by providing investment advice to investors for compensation while not registered as an investment adviser or investment adviser representative in the state of Washington.

CONSENT ORDER

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

IT IS AGREED AND ORDERED that Respondent Catalyst Management Group, LLC and Jeffrey M. Slowik, their agents, and employees each shall cease and desist from violating RCW 21.20.140, the securities registration section of the Securities Act of Washington.

IT IS AGREED AND ORDERED that Respondents Catalyst Management Group, LLC and Jeffrey M. Slowik, their agents and employees each shall cease and desist from violating RCW 21.20.010 the anti-fraud section of the Securities Act of Washington.

IT IS AGREED AND ORDERED that Respondents Catalyst Management Group, LLC and Jeffrey M. Slowik, their agents and employees each shall cease and desist from violating RCW 21.20.040, the broker-dealer/salesperson and investment adviser/representative registration section of the Securities Act of Washington.

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

1 IT IS FURTHER AGREED that Respondents Catalyst Management Group, LLC and Jeffrey M. Slowik
entered into this Consent Order freely and voluntarily and with a full understanding of its terms and significance.

2 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents Catalyst Management Group,
3 LLC and Jeffrey M. Slowik waive their right to a hearing and to judicial review of this matter pursuant to RCW
4 21.20.440 and Chapter 34.05 RCW.

5 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

6 Signed this 7th day of July, 2014,

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8 /s/
9 Catalyst Management Group, LLC by
Jeffrey M. Slowik

8 /s/
Jeffrey M. Slowik , individually


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11 SIGNED and ENTERED this 15th day of July, 2014.


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14 William M. Beatty
15 Securities Administrator

16 Approved by:

Presented by:

17
18 
19 Suzanne Sarason
20 Chief of Enforcement

17
18 
19 Martin Cordell
20 Financial Legal Examiner

21 Reviewed by:
22 
23 Jack McClellan
24 Financial Legal Examiner Supervisor