

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

IN THE MATTER OF DETERMINING) Order No.: S-16-2044-18-FO01
Whether there has been a violation of the)
Securities Act of Washington by:) ENTRY OF FINDINGS OF FACT AND
) CONCLUSIONS OF LAW AND
Myung Ro,) FINAL ORDER TO CEASE AND DESIST
)
Respondent.)

THE STATE OF WASHINGTON TO: Myung Ro

On November 8, 2016, the Securities Administrator of the State of Washington issued Order No. S16-2044-18-TO01, hereinafter referred to as “Statement of Charges.” The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing, hereinafter referred to as “Notice of Opportunity for Hearing” and an Application for Adjudicative Hearing, hereinafter referred to as “Application for Hearing,” were served on Respondent Myung Ro on or about February 1, 2018. The Notice of Opportunity for Hearing advised Respondent Myung Ro, that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the notice.

On February 20, 2018, Respondent Myung Ro returned the Application for Hearing and indicated that he waived the right to a hearing. In lieu of requesting a hearing, Respondent Myung Ro submitted a written statement for consideration by the Agency Director or Securities Administrator. After considering the written statement, and reviewing the investigative record, the Securities Administrator finds that the fine sought in the Statement of Charges should be reduced to \$10,000. The Securities Administrator otherwise finds no material grounds for amendment of the Statement of Charges, and will therefore adopt as final the findings of fact and conclusions of law as set forth in the Statement of Charges, and enter a final order against Respondent

1 Myung Ro to cease and desist from violations of the Securities Act, to impose fines, and to charge costs. The
2 Securities Administrator finds as follows:

3 **FINDINGS OF FACT**

4 Respondents

5 1. Daeil Ro is a Washington resident and former registered broker-dealer representative and
6 investment adviser representative with various financial firms in the Seattle-Tacoma area. His Central
7 Registration Depository (“CRD”) number is 3208066.

8 2. Myung Ro is Daeil Ro’s father and a Washington resident. As detailed below, Myung Ro and
9 Daeil Ro solicited a client of Daeil Ro’s to invest in commercial real estate in South Korea, without the
10 approval of Daeil Ro’s financial firm. Myung Ro previously worked as a steward at the Westin Hotel in Seattle
11 until his retirement, and had worked primarily as a salesman in South Korea before emigrating in 1984. He
12 does not have any background in managing commercial real estate.

13 Related Parties

14 3. Jae Lee was Myung Ro’s stepson and Daeil Ro’s stepbrother. Lee was a South Korean resident
15 and was also involved in the management of the Korean real estate investments described below, until his
16 death in 2005.

17 4. Merrill Lynch, Pierce, Fenner & Smith (“Merrill Lynch”) is a registered broker-dealer and
18 investment adviser (CRD #7691). Daeil Ro worked as an investment adviser representative and broker-dealer
19 representative for Merrill Lynch from December 1998 to September 2003.

20 5. Morgan Stanley DW Inc. is a former registered broker-dealer and investment adviser (CRD
21 #7556), which merged with Morgan Stanley & Co., Inc. in 2007. Daeil Ro worked as an investment adviser
22 representative and broker-dealer representative for Morgan Stanley DW Inc. from September 2003 to August
23 2005.
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1 6. Waddell & Reed is a registered broker-dealer and investment adviser (CRD #866). Daeil Ro
2 worked as an investment adviser representative and broker-dealer representative for Waddell & Reed from
3 October 2005 to November 2006.

4 7. Citigroup Global Market Inc. (“Citigroup”) is a registered broker-dealer and investment
5 adviser (CRD #7059). Daeil Ro worked as an investment adviser representative and broker-dealer
6 representative for Citigroup from November 2006 to June 2009.

7 8. Morgan Stanley Smith Barney is a registered broker-dealer and investment adviser (CRD
8 #149777). Daeil Ro worked as an investment adviser representative and broker-dealer representative for
9 Morgan Stanley Smith Barney from June 2009 to March 2012.

10 9. Ameriprise Financial Services, Inc. (“Ameriprise”) is a registered broker-dealer and
11 investment adviser (CRD #6363). Daeil Ro worked as an investment adviser representative and broker-dealer
12 representative for Ameriprise from March 2012 until his termination from the firm in June 2016.

13 10. LG Capital Funding Inc. (“LG Capital”) is an inactive Washington corporation, originally
14 incorporated on May 13, 2003. According to Washington Secretary of State records, LG Capital became
15 inactive on September 1, 2009.

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17 Summary of the Offering

18 11. From approximately 2002 to 2014, Daeil and Myung Ro engaged in a scheme to defraud one
19 of Daeil Ro’s clients, a Washington resident. In 2002, Daeil and Myung Ro convinced one of Daeil Ro’s
20 clients to invest \$2 million (slightly under half of the client’s \$4.5 million investment portfolio) in commercial
21 properties in South Korea, to be managed by Myung Ro and Jae Lee. Daeil Ro concealed this investment
22 from the various financial firms he worked for, in violation of the firms’ policies, which enabled him to escape
23 scrutiny of the transaction. Daeil Ro also discouraged the client from closely scrutinizing the Korean
24

1 investments by building a close friendship with the client and regularly assuring him that the investments
2 were doing well. Approximately three months after the Washington investor's \$2 million investment, Myung
3 Ro, with Daeil Ro's knowledge, diverted approximately \$320,000 of the client's money to purchase a home
4 in Kent for himself, his wife, Daeil Ro, and Daeil Ro's wife. Daeil Ro then conspired with Myung Ro to hide
5 their diversion of the client's money until approximately summer 2014, when the client sued demanding the
6 return of his investment in the Korean properties. Daeil Ro was terminated by his financial firm in June 2016
7 in connection with this transaction.

8 Nature of the Offering

9 12. In about 2001, while working for Merrill Lynch, Daeil Ro met with a Washington investor,
10 who at the time had approximately \$4.5 million in Microsoft stock options and was considering retiring soon.
11 The Washington investor became Daeil Ro's investment advisory client. At the time he met Daeil Ro, the
12 Washington investor's primary goals were (1) investing safely; and (2) making enough income from his
13 investments to cover his everyday needs. The Washington investor liked the idea of investing through a large,
14 established firm like Merrill Lynch. The Washington investor had not had a financial advisor before Daeil
15 Ro, which made it more difficult for the investor to evaluate whether Daeil Ro was giving him good advice
16 or following industry practices.

17 13. Throughout their relationship, Daeil Ro met with the Washington investor about once a month
18 to discuss his investments. Generally, Daeil Ro set up the meetings to occur at places like Starbucks or local
19 restaurants, rather than at the offices of Merrill Lynch or his subsequent financial firms. This practice enabled
20 Daeil Ro to conceal his outside business activities from his employers by minimizing the risk that his
21 colleagues would hear him discussing the unapproved small business loans or Korean investments described
22 below.
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1 14. Shortly after beginning his relationship with the Washington investor, Daeil Ro introduced the
2 investor to the idea of investing in small businesses, by claiming that the investments would be low-risk and
3 that the investor would get better returns than he was getting with his other investments. Daeil Ro convinced
4 the Washington investor to make approximately \$450,000 in loans to local small businesses, through LG
5 Capital. Daeil Ro did not inform Merrill Lynch or any subsequent employer about these transactions, and did
6 not obtain Merrill Lynch or any subsequent employer's approval to participate in them. Daeil Ro did not
7 inform the Washington investor of any of the risks associated with these investments, or analyze whether the
8 investments would be suitable for the Washington investor given his investment goals. At least one of the
9 small businesses defaulted on the loan which the Washington investor had made. In September 2003, Daeil
10 Ro convinced the Washington investor to sign a document releasing Daeil Ro and the president of LG Capital
11 from "all the liabilities and responsibilities of . . . for all the investments that [the Washington investor had]
12 made," and providing that the investor would not take civil or criminal actions in connection with the
13 investments which Daeil Ro and the LG Capital president had brought to him. Daeil Ro did not explain to the
14 client why this agreement was necessary, why he might incur liability from the transaction, or the fact that the
15 agreement was designed to benefit Daeil Ro without providing any accompanying benefit to the client.
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17 15. In late 2001 to early 2002, after soliciting the small business loans through LG Capital, Daeil
18 Ro began suggesting to the Washington investor that he should invest in commercial real estate properties in
19 Incheon, South Korea, a suburb of Seoul. Daeil Ro told the Washington investor that Incheon real estate
20 investments had a good historical return, and that the investments would be low-risk. Daeil Ro failed to
21 disclose any reasonable basis for these claims, and did not provide the Washington investor with any
22 documents to support them. After several meetings where Daeil Ro suggested this possibility, the Washington
23 investor became interested in investing in South Korea.
24

1 16. In early 2002, Daeil Ro introduced the Washington investor to his father, Myung Ro, who the
2 Washington investor understood would be one of the primary managers for the Korean businesses, along with
3 Jae Lee. Daeil Ro served as the translator for verbal communications between Myung Ro and the Washington
4 investor, and translated various contracts and written reports from Korean into English.¹ Daeil Ro convinced
5 the Washington investor, shortly after his first meeting with Myung Ro, to liquidate \$2 million of his
6 investments with Merrill Lynch and deposit it into Myung Ro's account at the Bank of Korea. Daeil Ro went
7 with the Washington investor to the Bank of Korea to deposit the check on February 6, 2002.

8 17. After the Washington investor deposited the \$2 million into Myung Ro's account, Daeil and
9 Myung Ro presented the Washington investor with a written investment plan, which provided that the money
10 would be used to invest in a bar, an apartment building, and a mixed-use residential/commercial property,
11 through a company called "Daeil Enterprise" which they planned to form in the future. In the contract
12 accompanying the investment plan, Myung Ro and Jae Lee agreed to manage the properties "on a good faith
13 basis," and provide monthly reports to the Washington investor. Myung Ro and Jae Lee promised 50% of the
14 profits from the operation of the businesses to the Washington investor, and contracted to receive the other
15 50% themselves. The Washington investor did not expect to play any role in managing the investments, and
16 was dependent on Myung Ro and Jae Lee to run the businesses and on Daeil Ro to provide him with updates
17 on the status of the businesses. Daeil and Myung Ro did not disclose any of the risks associated with these
18 real estate investments, such as falling real estate prices or poor management of the businesses. Daeil Ro did
19 not tell the Washington investor that the Korean investments were not approved by Merrill Lynch, and
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¹ Myung Ro speaks only Korean, and the Washington investor speaks Japanese and some English, but not Korean. Daeil Ro
24 speaks English and Korean. Thus, the Washington investor was only able to communicate with Myung Ro by having Daeil Ro
translate between English and Korean.

1 continued to hide the Korean investments from scrutiny by failing to inform Merrill Lynch or any subsequent
2 employer about these transactions.

3 18. In March 2002, Daeil Ro traveled with the Washington investor to South Korea to examine the
4 properties, and met with Myung Ro and Jae Lee there. Daeil and Myung Ro used approximately \$37,000 of
5 the Washington investor's \$2 million to pay for this trip, and several other trips to South Korea later in 2002,
6 without informing the Washington investor until approximately two years later that they were using his money
7 for travel. While in South Korea, Daeil Ro, Myung Ro, and Jae Lee also raised the possibility of having the
8 Washington investor invest in another business owned by Jae Lee, called E-Max Logistics. The Washington
9 investor agreed to invest approximately \$160,000 in E-Max Logistics. Daeil Ro, Myung Ro, and Jae Lee did
10 not disclose any of the risks associated with an investment in E-Max Logistics to the Washington investor.

11 19. In May 2002, three months after Daeil and Myung Ro had convinced the Washington investor
12 to deposit \$2 million into Myung Ro's account, Myung Ro misappropriated approximately \$320,000 of the
13 Washington investor's money to purchase a home in Kent, Washington. The Washington investor had not
14 authorized this purchase. Daeil Ro was aware at the time of purchase that the money had come from the
15 Washington investor's funds, but neither Daeil Ro nor Myung Ro informed the Washington investor that
16 Myung Ro had purchased the home with his money. In 2007, Myung Ro granted the house to Daeil Ro via
17 quitclaim deed. Daeil Ro and his wife, along with Myung Ro and his wife, continued to live in the home
18 together until approximately 2008, at which point Daeil Ro purchased a home in Federal Way and moved out.
19 Myung Ro and his wife continued to live in the home until December 2015. The Washington investor did not
20 learn that Myung Ro had used his money to purchase a house, with Daeil Ro's knowledge, until approximately
21 2015.
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1 20. Around early 2004, the Washington investor stopped receiving payments from one of the small
2 businesses he had made a loan to through LG Capital. He hired a Seattle-based attorney to assist with the
3 situation. In addition to the lack of payment from the small business, the attorney noticed that the Ros and Jae
4 Lee had not been providing the Washington investor with monthly reports about the Korean properties, as
5 provided for in the contract between the investor, Myung Ro, and Jae Lee. The attorney wrote a letter to
6 Myung Ro on behalf of the Washington investor requesting an accounting of the Korean investments. After
7 Myung Ro received the letter, Daeil Ro told the Washington investor that there was no problem with the
8 Korean investments, and that the attorney was just trying to create problems to make money for himself. Daeil
9 Ro successfully convinced the Washington investor to stop communicating with the attorney about the Korean
10 investments. As a result, Daeil and Myung Ro were able to continue hiding their misappropriation of the
11 Washington investor's funds.

12 21. Shortly after, in September 2004, Daeil Ro convinced the Washington investor to sign a
13 supplement to the 2002 agreement, which gave Myung Ro and Jae Lee the right to use "some" of the
14 \$2,000,000 for their own personal use in exchange for managing the investment for ten years. Daeil Ro told
15 the Washington investor that this term would cover reimbursement for business-related expenses. Daeil Ro
16 did not explain to the Washington investor that a contract which only provided that "some" of the money
17 could go to personal use, without a limitation on how much, was highly unusual. Daeil Ro failed to tell the
18 Washington investor how much of the money could be used for personal expenses, and also did not tell the
19 Washington investor that approximately \$320,000 of his money had already been spent for personal use, in
20 the form of the house for himself and Myung Ro. Daeil Ro was working for Morgan Stanley DW Inc. at the
21 time, and failed to inform the firm of the transactions or obtain approval for them.
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1 22. Daeil and Myung Ro furthered their scheme to defraud the Washington investor by providing
2 false or misleading reports about the status of the businesses and their use of the Washington investor's money.
3 At about the time when the Washington investor signed the 2004 supplement, Daeil Ro provided the investor
4 with a document which he had translated from Korean on behalf of Myung Ro. In this document, Daeil and
5 Myung Ro describe how the Washington investor's money was supposedly used. For instance, Daeil and
6 Myung Ro claimed that \$361,250 was used to purchase and remodel an apartment, and that \$895,182 was
7 used to purchase and set up the bar. In total, Daeil and Myung Ro purportedly account for the full \$2 million
8 of the Washington investor's money, and claim that the full amount was spent for business purposes or for
9 business-related trips to South Korea for Daeil Ro and Myung Ro. However, in the document, Daeil and
10 Myung Ro failed to explain that Myung Ro had used \$320,000 to purchase a home in Washington, thereby
11 making materially false claims about how the Washington investor's money had been used. Daeil Ro knew
12 that the explanation of how the investor's money had been used was materially false, but gave it to the
13 Washington investor without telling him the explanation was false. At about the same time, Daeil Ro also
14 began providing the Washington investor with written reports about the status of the businesses, drafted
15 initially by Jae Lee and later by Myung Ro. Jae Lee provided the reports for several years after the Washington
16 investor's investment, but after Jae Lee died, Myung Ro began drafting the reports. Daeil and Myung Ro
17 provided significantly less detail in the later reports. For instance, the March 2005 report for the bar
18 specifically described the various categories and amounts of per-day expenses, while the April 2006 report
19 simply used a catch-all "Expenses" category. Daeil and Myung Ro, in the reports, also claimed basically
20 identical revenue and expenses from month to month, even for businesses like the bar which would have
21 variable expenses due to the nature of the business. In the later reports, Daeil and Myung Ro also based the
22 purported profits from the businesses on an assumed exchange rate of 1,000 Korean won to \$1 USD. In reality,
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1 the exchange rate fluctuated significantly during the period that Daeil and Myung Ro were providing the
2 Washington investor with their reports, meaning that they were either materially overreporting or
3 underreporting the businesses' profits by failing to adjust their profit calculations for the exchange rate.

4 23. In June 2007, Daeil and Myung Ro continued the scheme by convincing the Washington
5 investor to sign another supplement which extended their previous agreement. In the supplement, Myung Ro
6 and the Washington investor agreed that the Washington investor would continue to invest in the Korean
7 properties through Myung Ro until June 2013, six years from the date of the new agreement. They also agreed
8 that the Washington investor would not take legal action relating to any investment or investment decision
9 that Myung Ro had made. Daeil Ro was working for Citigroup at the time, and did not inform Citigroup of
10 the extension. Daeil Ro failed to explain to the Washington investor the potential consequences of waiving
11 his legal rights, or the fact that an agreement which waived his right to sue, with nothing to compensate him
12 for it, was highly one-sided and unusual in the financial industry. Myung Ro transferred the house to Daeil
13 Ro via quitclaim deed approximately four months after the Washington investor signed the supplement.

14 24. At the end of 2008, Daeil and Myung Ro stopped providing the Washington investor with
15 written reports, but Daeil Ro continued to give the investor verbal reports about the status of the business.
16 During and after the 2008 financial crisis, Daeil Ro told the Washington investor that the value of the
17 properties had gone down. Daeil Ro did not explain the basis for the valuation of the property, specifically
18 whether the analysis was performed by a third party or simply based on their own evaluation of the property's
19 value. Daeil and Myung Ro began suggesting that the Washington investor take the money from the Korean
20 properties and use it to purchase commercial property in America, but did not specify the type of property or
21 where it would be located.
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1 1. Daeil and Myung Ro's offer and sale of a \$2 million investment in Korean properties and
2 businesses, to be managed by Jae Lee and Myung Ro, constituted the offer and sale of a security and defined
3 in RCW 21.20.005(14) and (17).

4 2. Myung Ro violated RCW 21.20.010 because, in connection with the offer and sale of
5 securities, he employed a device, scheme, or artifice to defraud; made material misstatements or omissions of
6 material fact; and engaged in an act, practice, or course of business which operated as a fraud on the
7 Washington investor.

8 **FINAL ORDER**

9 IT IS FURTHER ORDERED that Respondent Myung Ro, and his agents and employees each shall
10 cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

11 IT IS FURTHER ORDERED that Respondent Myung Ro shall be liable for and pay a fine in the
12 amount of \$10,000, such payment to be deferred until after the Washington investor has been repaid pursuant
13 to the settlement agreement described above in the Findings of Fact.

14 IT IS FURTHER ORDERED that Respondent Myung Ro shall be liable for and pay costs in the
15 amount of \$2,500, such payment to be deferred until after the Washington investor has been repaid pursuant
16 to the settlement agreement described above in the Findings of Fact.

17 **AUTHORITY AND PROCEDURE**

18 This FINAL ORDER is entered pursuant to the provisions of RCW 21.20.390, and is subject to the
19 provisions of RCW 21.20.440 and Chapter 34.05 RCW. Respondents have the right to petition the superior
20 court for judicial review of this agency action under the provisions of RCW 34.05. For the requirements for
21 Judicial Review, see RCW 34.05.510 and sections following. Pursuant to RCW 21.20.395, a certified copy
22 of this Order may be filed in Superior Court. If so filed, the clerk shall treat the Order in the same manner
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1 as a Superior Court judgment as to the fine, and the fine may be recorded, enforced, or satisfied in like
2 manner.

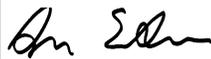
3 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

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5 SIGNED and ENTERED this 2nd day of May, 2018.

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9 _____
10 William M. Beatty
11 Securities Administrator

11 Approved by:

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14 Suzanne Sarason
15 Chief of Enforcement

11 Presented by:

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14 Adam N. Yeaton
15 Financial Legal Examiner

15 Reviewed by:

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18 Jack McClellan
19 Financial Legal Examiner Supervisor

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

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IN THE MATTER OF DETERMINING) Order No.: S-16-2044-16-TO01
Whether there has been a violation of the)
Securities Act of Washington by:) SUMMARY ORDER TO CEASE AND DESIST AND
Daeil Ro; Myung Ro,) NOTICE OF INTENT TO DENY FUTURE
) REGISTRATIONS, IMPOSE FINES, AND CHARGE COSTS
) AS TO DAEIL RO; AND
)
Respondents.) STATEMENT OF CHARGES AND NOTICE OF INTENT
) TO ISSUE AN ORDER TO CEASE AND DESIST, IMPOSE
) FINES, AND CHARGE COSTS AS TO MYUNG RO
)

**THE STATE OF WASHINGTON TO: Daeil Ro (CRD #3208066)
Myung Ro**

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents Daeil Ro and Myung Ro have violated the Securities Act of Washington. The Securities Administrator believes those violations justify the entry of an order of the Securities Administrator against Daeil Ro and Myung Ro to cease and desist from such violations pursuant to RCW 21.20.390, to deny Daeil Ro's future securities registration applications pursuant to RCW 21.20.110(1), to impose a fine on Daeil and Myung Ro pursuant to RCW 21.20.395, and to charge costs to Daeil and Myung Ro pursuant to RCW 21.20.390. The Securities Administrator finds that a delay in ordering Respondent Daeil Ro to cease and desist from such violations would be hazardous to the investors and to the public and that a Summary Order to Cease and Desist and Notice of Intent to Deny Future Registrations as to Daeil Ro should be entered immediately. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Daeil Ro is a Washington resident and former registered broker-dealer representative and investment adviser representative with various financial firms in the Seattle-Tacoma area. His Central Registration Depository ("CRD") number is 3208066.

1 2. Myung Ro is Daeil Ro's father and a Washington resident. As detailed below, Myung Ro and Daeil
2 Ro solicited a client of Daeil Ro's to invest in commercial real estate in South Korea, without the approval of Daeil
3 Ro's financial firm. Myung Ro previously worked as a steward at the Westin Hotel in Seattle until his retirement, and
4 had worked primarily as a salesman in South Korea before emigrating in 1984. He does not have any background in
5 managing commercial real estate.

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16 client’s money to purchase a home in Kent for himself, his wife, Daeil Ro, and Daeil Ro’s wife. Daeil Ro then
17 conspired with Myung Ro to hide their diversion of the client’s money until approximately summer 2014, when the
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25 everyday needs. The Washington investor liked the idea of investing through a large, established firm like Merrill

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6 Lee. Daeil Ro served as the translator for verbal communications between Myung Ro and the Washington investor,
7 and translated various contracts and written reports from Korean into English.¹ Daeil Ro convinced the Washington
8 investor, shortly after his first meeting with Myung Ro, to liquidate \$2 million of his investments with Merrill Lynch
9 and deposit it into Myung Ro's account at the Bank of Korea. Daeil Ro went with the Washington investor to the
10 Bank of Korea to deposit the check on February 6, 2002.

11 17. After the Washington investor deposited the \$2 million into Myung Ro's account, Daeil and Myung
12 Ro presented the Washington investor with a written investment plan, which provided that the money would be used
13 to invest in a bar, an apartment building, and a mixed-use residential/commercial property, through a company called
14 "Daeil Enterprise" which they planned to form in the future. In the contract accompanying the investment plan,
15 Myung Ro and Jae Lee agreed to manage the properties "on a good faith basis," and provide monthly reports to the
16 Washington investor. Myung Ro and Jae Lee promised 50% of the profits from the operation of the businesses to the
17 Washington investor, and contracted to receive the other 50% themselves. The Washington investor did not expect to
18 play any role in managing the investments, and was dependent on Myung Ro and Jae Lee to run the businesses and on
19 Daeil Ro to provide him with updates on the status of the businesses. Daeil and Myung Ro did not disclose any of the
20 risks associated with these real estate investments, such as falling real estate prices or poor management of the
21 businesses. Daeil Ro did not tell the Washington investor that the Korean investments were not approved by Merrill
22 Lynch, and continued to hide the Korean investments from scrutiny by failing to inform Merrill Lynch or any
23 subsequent employer about these transactions.

24 ¹ Myung Ro speaks only Korean, and the Washington investor speaks Japanese and some English, but not Korean. Daeil Ro
25 speaks English and Korean. Thus, the Washington investor was only able to communicate with Myung Ro by having Daeil Ro
translate between English and Korean.

1 18. In March 2002, Daeil Ro traveled with the Washington investor to South Korea to examine the
2 properties, and met with Myung Ro and Jae Lee there. Daeil and Myung Ro used approximately \$37,000 of the
3 Washington investor's \$2 million to pay for this trip, and several other trips to South Korea later in 2002, without
4 informing the Washington investor until approximately two years later that they were using his money for travel.
5 While in South Korea, Daeil Ro, Myung Ro, and Jae Lee also raised the possibility of having the Washington investor
6 invest in another business owned by Jae Lee, called E-Max Logistics. The Washington investor agreed to invest
7 approximately \$160,000 in E-Max Logistics. Daeil Ro, Myung Ro, and Jae Lee did not disclose any of the risks
8 associated with an investment in E-Max Logistics to the Washington investor.

9 19. In May 2002, three months after Daeil and Myung Ro had convinced the Washington investor to
10 deposit \$2 million into Myung Ro's account, Myung Ro misappropriated approximately \$320,000 of the Washington
11 investor's money to purchase a home in Kent, Washington. The Washington investor had not authorized this
12 purchase. Daeil Ro was aware at the time of purchase that the money had come from the Washington investor's funds,
13 but neither Daeil Ro nor Myung Ro informed the Washington investor that Myung Ro had purchased the home with
14 his money. In 2007, Myung Ro granted the house to Daeil Ro via quitclaim deed. Daeil Ro and his wife, along with
15 Myung Ro and his wife, continued to live in the home together until approximately 2008, at which point Daeil Ro
16 purchased a home in Federal Way and moved out. Myung Ro and his wife continued to live in the home until
17 December 2015. The Washington investor did not learn that Myung Ro had used his money to purchase a house, with
18 Daeil Ro's knowledge, until approximately 2015.

19 20. Around early 2004, the Washington investor stopped receiving payments from one of the small
20 businesses he had made a loan to through LG Capital. He hired a Seattle-based attorney to assist with the situation. In
21 addition to the lack of payment from the small business, the attorney noticed that the Ros and Jae Lee had not been
22 providing the Washington investor with monthly reports about the Korean properties, as provided for in the contract
23 between the investor, Myung Ro, and Jae Lee. The attorney wrote a letter to Myung Ro on behalf of the Washington
24 investor requesting an accounting of the Korean investments. After Myung Ro received the letter, Daeil Ro told the
25 Washington investor that there was no problem with the Korean investments, and that the attorney was just trying to

1 create problems to make money for himself. Daeil Ro successfully convinced the Washington investor to stop
2 communicating with the attorney about the Korean investments. As a result, Daeil and Myung Ro were able to
3 continue hiding their misappropriation of the Washington investor's funds.

4 21. Shortly after, in September 2004, Daeil Ro convinced the Washington investor to sign a supplement
5 to the 2002 agreement, which gave Myung Ro and Jae Lee the right to use "some" of the \$2,000,000 for their own
6 personal use in exchange for managing the investment for ten years. Daeil Ro told the Washington investor that this
7 term would cover reimbursement for business-related expenses. Daeil Ro did not explain to the Washington investor
8 that a contract which only provided that "some" of the money could go to personal use, without a limitation on how
9 much, was highly unusual. Daeil Ro failed to tell the Washington investor how much of the money could be used for
10 personal expenses, and also did not tell the Washington investor that approximately \$320,000 of his money had
11 already been spent for personal use, in the form of the house for himself and Myung Ro. Daeil Ro was working for
12 Morgan Stanley DW Inc. at the time, and failed to inform the firm of the transactions or obtain approval for them.

13 22. Daeil and Myung Ro furthered their scheme to defraud the Washington investor by providing false or
14 misleading reports about the status of the businesses and their use of the Washington investor's money. At about the
15 time when the Washington investor signed the 2004 supplement, Daeil Ro provided the investor with a document
16 which he had translated from Korean on behalf of Myung Ro. In this document, Daeil and Myung Ro describe how
17 the Washington investor's money was supposedly used. For instance, Daeil and Myung Ro claimed that \$361,250 was
18 used to purchase and remodel an apartment, and that \$895,182 was used to purchase and set up the bar. In total, Daeil
19 and Myung Ro purportedly account for the full \$2 million of the Washington investor's money, and claim that the full
20 amount was spent for business purposes or for business-related trips to South Korea for Daeil Ro and Myung Ro.
21 However, in the document, Daeil and Myung Ro failed to explain that Myung Ro had used \$320,000 to purchase a
22 home in Washington, thereby making materially false claims about how the Washington investor's money had been
23 used. Daeil Ro knew that the explanation of how the investor's money had been used was materially false, but gave it
24 to the Washington investor without telling him the explanation was false. At about the same time, Daeil Ro also began
25 providing the Washington investor with written reports about the status of the businesses, drafted initially by Jae Lee

1 and later by Myung Ro. Jae Lee provided the reports for several years after the Washington investor's investment, but
2 after Jae Lee died, Myung Ro began drafting the reports. Daeil and Myung Ro provided significantly less detail in the
3 later reports. For instance, the March 2005 report for the bar specifically described the various categories and amounts
4 of per-day expenses, while the April 2006 report simply used a catch-all "Expenses" category. Daeil and Myung Ro,
5 in the reports, also claimed basically identical revenue and expenses from month to month, even for businesses like
6 the bar which would have variable expenses due to the nature of the business. In the later reports, Daeil and Myung
7 Ro also based the purported profits from the businesses on an assumed exchange rate of 1,000 Korean won to \$1
8 USD. In reality, the exchange rate fluctuated significantly during the period that Daeil and Myung Ro were providing
9 the Washington investor with their reports, meaning that they were either materially overreporting or underreporting
10 the businesses' profits by failing to adjust their profit calculations for the exchange rate.

11 23. In June 2007, Daeil and Myung Ro continued the scheme by convincing the Washington investor to
12 sign another supplement which extended their previous agreement. In the supplement, Myung Ro and the Washington
13 investor agreed that the Washington investor would continue to invest in the Korean properties through Myung Ro
14 until June 2013, six years from the date of the new agreement. They also agreed that the Washington investor would
15 not take legal action relating to any investment or investment decision that Myung Ro had made. Daeil Ro was
16 working for Citigroup at the time, and did not inform Citigroup of the extension. Daeil Ro failed to explain to the
17 Washington investor the potential consequences of waiving his legal rights, or the fact that an agreement which
18 waived his right to sue, with nothing to compensate him for it, was highly one-sided and unusual in the financial
19 industry. Myung Ro transferred the house to Daeil Ro via quitclaim deed approximately four months after the
20 Washington investor signed the supplement.

21 24. At the end of 2008, Daeil and Myung Ro stopped providing the Washington investor with written
22 reports, but Daeil Ro continued to give the investor verbal reports about the status of the business. During and after
23 the 2008 financial crisis, Daeil Ro told the Washington investor that the value of the properties had gone down. Daeil
24 Ro did not explain the basis for the valuation of the property, specifically whether the analysis was performed by a
25 third party or simply based on their own evaluation of the property's value. Daeil and Myung Ro began suggesting

1 that the Washington investor take the money from the Korean properties and use it to purchase commercial property
2 in America, but did not specify the type of property or where it would be located.

3 25. In about 2013, as the expiration of the 2007 extension approached, Daeil and Myung Ro presented the
4 Washington investor with a written investment plan, where Myung Ro would sell the Korean properties for \$1.5
5 million and reinvest the money in commercial properties in America. They proposed that the investor fund the
6 commercial properties in America with the \$1.5 million from the sale of the Korean properties, plus a new loan of \$1
7 million to \$1.5 million from an unspecified source. At the time, Daeil Ro was working for Ameriprise and did not
8 notify Ameriprise of, or obtain the firm's approval for, the new proposed transaction. The investor declined this
9 proposal and told Daeil and Myung Ro that, due to the significant loss on the investments, he simply wanted to get his
10 money back. Daeil and Myung Ro refused to return the investor's money, supposedly because the investments had
11 lost value, and the investor sued them in King County Superior Court in April 2015. In March 2016, the parties agreed
12 to settle the investor's lawsuit, with Daeil Ro and Myung Ro agreeing to pay \$2 million to the investor. In June 2016,
13 after reviewing the settlement, along with accompanying statements from Daeil Ro and the Washington investor,
14 Ameriprise fired Daeil Ro. Daeil Ro is currently seeking another job in the financial industry. According to an
15 appraisal commissioned by the Washington investor's attorney, the Korean properties are now worth approximately
16 \$1.13 million. Daeil and Myung Ro have already paid \$700,000 to the Washington investor, and under the settlement
17 agreement, must pay the remaining \$1.3 million by December 2, 2016.

18 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

19 **CONCLUSIONS OF LAW**

20 1. Daeil Ro, as described above, engaged in one or more dishonest or unethical practices in the
21 securities business, as defined by the following WACs:

- 22 a. WAC 460-22B-090(2), by effecting securities transactions not recorded on the regular books or
23 records of his broker-dealer, without authorization from the broker-dealer; and
24
25

1 b. WAC 460-22B-090(19), by violating National Association of Securities Dealers Rule 3040
2 through participation in a private securities transaction without providing written notice to his
3 broker-dealers.²

4 Such practices are grounds for the denial of his securities salesperson or investment adviser representative
5 registration, pursuant to RCW 21.20.110(1)(g).

6 2. Daeil and Myung Ro's offer and sale of a \$2 million investment in Korean properties and businesses,
7 to be managed by Jae Lee and Myung Ro, constituted the offer and sale of a security and defined in RCW
8 21.20.005(14) and (17).

9 3. Daeil Ro, as a registered investment adviser representative, received consideration from clients for
10 advising them as to the value of securities or their purchase or sale. As described above, Daeil Ro employed a device,
11 scheme, or artifice to defraud; engaged in an act, practice, or course of business which operated as a fraud on the
12 Washington investor; and engaged in dishonest and unethical practices, in violation of RCW 21.20.020. Such practice
13 is grounds for the denial of his securities salesperson or investment adviser representative registration, pursuant to
14 RCW 21.20.110(1)(b).

15 4. Myung Ro violated RCW 21.20.010 because, in connection with the offer and sale of securities, he
16 employed a device, scheme, or artifice to defraud; made material misstatements or omissions of material fact; and
17 engaged in an act, practice, or course of business which operated as a fraud on the Washington investor.

18 **EMERGENCY**

19 The Securities Administrator finds that an emergency exists, and that the continued violations of RCW
20 21.20.020 and the future registration of Daeil Ro as a securities salesperson or investment adviser representative,
21 constitutes a threat to the investing public. Accordingly, a Summary Order to Cease and Desist from those violations
22 and the summary denial of any future securities salesperson registration of Daeil Ro, pending a final determination of

23 _____
24 ² At the time of the Washington investor's initial investment in the Korean properties, the National Association of Securities
25 Dealers ("NASD") was the financial industry's self-regulatory organization, and NASD Rule 3040 applied to private securities
transactions by registered securities salespersons. NASD was replaced by the Financial Industry Regulatory Authority ("FINRA")
in 2007; the currently applicable rule is FINRA Rule 3280.

1 this matter, is necessary for the protection of the investing public and in the public interest. The Securities
2 Administrator notes that further investigation into Daeil Ro's conduct is ongoing.

3
4 **SUMMARY ORDER AS TO DAEIL RO**

5 Based upon the foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED that
6 Respondent Daeil Ro cease and desist from violating RCW 21.20.020 and WAC 460-22B-090 by engaging in private
7 securities transactions, without written notice to his broker-dealer, and conspiring with Myung Ro to divert client
8 money for personal gain.

9
10 **NOTICE OF INTENT TO DENY FUTURE REGISTRATIONS AS TO DAEIL RO**

11 Pursuant to RCW 21.20.110(1) and based upon the above Tentative Findings of Fact and Conclusions of Law,
12 the Securities Administrator intends to order that any future securities salesperson or investment adviser
13 representative registrations of Respondent Daeil Ro shall be denied.

14
15 **NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST AS TO MYUNG RO**

16 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator
17 intends to order that Respondent Myung Ro, and his agents and employees, shall each cease and desist from violations
18 of RCW 21.20.010.

19
20 **NOTICE OF INTENT TO IMPOSE FINES**

21 Pursuant to RCW 21.20.110(1) and RCW 21.20.395, and based upon the above Tentative Findings of Fact
22 and Conclusions of Law, the Securities Administrator intends to order that Respondents Daeil Ro and Myung Ro shall
23 be jointly and severally liable for and shall pay a fine of \$200,000, such payment to be deferred until after the
24 Washington investor has been repaid pursuant to the settlement agreement described above in the Tentative Findings
25 of Fact.

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NOTICE OF INTENT TO CHARGE COSTS

Pursuant to RCW 21.20.390, and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondents Daeil Ro and Myung Ro shall be jointly and severally liable for and shall pay the costs, fees, and other expenses incurred in the administrative investigation and hearing of this matter, in an amount not less than \$5,000, such payment to be delayed until after the Washington investor has been repaid.

AUTHORITY AND PROCEDURE

This Order is entered pursuant to the provisions of RCW 21.20.390 and is subject to the provisions of Chapter 34.05 RCW. The Respondents, Daeil Ro and Myung Ro, may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If a Respondent does not request a hearing in the allowed time, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final, enter a permanent cease and desist order as to that Respondent, deny any future securities salesperson or investment adviser representative registrations by the Respondent, and impose the fines sought.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

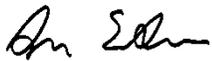
1 Signed and entered this 8th day of November, 2016.

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4
5 _____
6 William M. Beatty
7 Securities Administrator

8 Approved by:

9 Presented by:

10 

11 

12 _____
13 Suzanne Sarason
14 Chief of Enforcement

15 _____
16 Adam N. Yeaton
17 Financial Legal Examiner

18 Reviewed by:

19 

20 _____
21 Jack McClellan
22 Financial Legal Examiner Supervisor