1 STATE OF WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS 2 SECURITIES DIVISION 3 IN THE MATTER OF DETERMINING) Order Number S-17-2291-17-TO01 Whether there has been a violation of the 4 Securities Act of Washington by:) SUMMARY ORDER SUSPENDING) INVESTMENT ADVISER 5 Patrick John Costello;) REGISTRATION AND INVESTMENT 6 Columbia Wealth Management, LLC;) ADVISER REPRESENTATIVE) REGISTRATION AND NOTICE OF 7 Respondents) INTENT TO REVOKE REGISTRATION,) AND ENTER ORDER TO CEASE AND 8) DESIST, DENY FUTURE) REGISTRATIONS, IMPOSE FINES, AND 9) RECOVER COSTS 10 THE STATE OF WASHINGTON TO: Patrick John Costello (CRD# 4187665) 11 Columbia Wealth Management, LLC 12 (CRD# 282951) 13 STATEMENT OF CHARGES 14 Please take notice that the Securities Administrator of the State of Washington has reason 15 to believe that Respondents Columbia Wealth Management, LLC and Patrick John Costello, 16 have each violated the Securities Act of Washington and that their violations justify the 17 suspension and revocation of Patrick J. Costello's investment adviser representative 18 registration and Columbia Wealth Management, LLC's investment adviser registration under 19 RCW 21.20.110(1). The Securities Administrator further has reason to believe that those 20 violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to 21 cease and desist from such violations, under RCW 21.20.110(7) and RCW 21.20.390 to 22

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

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

TENTATIVE FINDINGS OF FACT

Respondents

- 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.
- 2. Patrick J. Costello ("Costello") is a resident of Longview, Washington. Costello is the owner, sole investment adviser representative, and sole control person of Columbia WM. Costello has been registered with the State of Washington as investment adviser representative at various firms since 2000, and was previously registered as a securities salesperson between July 2000 and August 2016. Costello worked as a registered securities salesperson and

investment adviser representative at Edward Jones, until he was terminated in 2014. Between approximately January 2015 and March 2016, Costello worked as a registered securities salesperson and investment adviser representative at Raymond James. Costello was permitted to resign for participating in an outside business activity without firm approval. Between March 2016 and August 2016, Costello worked as a registered securities salesperson at Private Client Services, LLC. Costello has a CRD number of 4187665.

Nature of the Conduct

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

Costello's Criminal Charges & Convictions

4. On August 23, 2016, Costello was charged in Cowlitz County Superior Court with malicious mischief in the first degree, a felony ("Charge 1"), and possession of a controlled substance without a valid prescription, a felony ("Charge 2"). On March 27, 2017, Costello entered a guilty plea and was convicted of malicious mischief in the third degree, a gross misdemeanor ("Conviction 1"), and convicted of using drug paraphernalia, a misdemeanor ("Conviction 2").

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

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

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

False Form ADV Filings

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

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

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

Failure to Update Form ADV

- 11. Under WAC 460-24A-205, each investment adviser must promptly file a notice of changes regarding their business on their Form ADV. An amendment is considered promptly filed if it is filed within 30 days of the event that requires the filing of the amendment.
- 12. Some of Costello's criminal charges and convictions required Columbia WM to file an amended Form ADV to change answers to Items 11A and/or 11B. Columbia WM failed to file an amended Form ADV within 30 days of each of the following charges or convictions: Charge 1, Charge 2, Charge 3, Conviction 3, Charge 4, Charge 5, Charge 6, and Charge 7.

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13. Additionally, Columbia WM has yet to amend its Form ADV to reflect Charge 8, Charge 9, Charge 10, or Charge 11. If Columbia WM does not amend its Form ADV to reflect those charges by October 9, 2017, it will have failed to have promptly file those updates.

Failure to Update Form U4

- 14. Form U4 is a uniform application that individuals must complete in order to register as securities salespersons or investment adviser representatives. Form U4 contains history and background information of applicants, including criminal history.
- 15. Item 14A of Form U4 asks applicants whether they have ever been charged with, or convicted of, any felony. Item 14B of Form U4 asks applicants whether they have ever been charged with, or convicted of, any misdemeanor involving fraud, false statements or omissions, wrongful taking of property, or forgery, among other offenses.
- 16. Under WAC 460-24A-205, investment adviser representatives have a continuing obligation to update the information required by Form U4 as changes occur. Investment adviser representatives must promptly file with the Investment Adviser Registration Depository ("IARD") any amendments to their Form U4. An amendment is considered promptly filed if it is filed within 30 days of the event that requires the filing of the amendment.
- 17. Some of Costello's criminal charges and convictions required him to file an amended Form U4 to change answers to Items 14A and/or 14B. Costello failed to file an amended Form U4 within 30 days of each of the following charges or convictions: Charge 1, Charge 2, Charge 3, Conviction 3, Charge 4, Charge 5, Charge 6, and Charge 7.

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Additionally, Costello has yet to amend his Form U4 to reflect Charge 8, Charge 18. 9, Charge 10, or Charge 11. If Costello does not amend his Form U4 to reflect those charges by

Books and Records Violation

October 9, 2017, he will have failed to have promptly filed those amendments.

- 19. The records of an investment adviser are subject to examination by the Securities Division. Investment advisers must maintain certain books and records, including copies of advisory contracts and other client related records. Investment advisers must maintain and preserve the required records for at least five years from the end of the fiscal year during which the last entry was made on the record. Columbia WM failed to maintain these required records.
- 20. Between June 2017 and September 2017, examination staff from the Securities Division attempted to schedule an examination of Columbia WM. In the process of scheduling the exam the examiner requested copies of the required books and records from Costello, including records that would identify Columbia WM's clients.
- Costello told the examiner that he was unable to obtain any records from 21. Columbia WM's clients' custodian as the custodian terminated its relationship with Columbia WM. Costello also represented that he gave all of Columbia WM's books and records to an individual who is registered as an investment adviser representative of a federal covered adviser. However, this individual represented to the Division that while he has some records from Costello, they are not all of Columbia WM's required books and records.

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22. Columbia WM's failure to maintain these required books and records poses a risk to the investing public. The Securities Division must investigate further to first determine the identity of Columbia WM's clients and then seek records elsewhere to analyze the activities in those clients' accounts.

Need for Further Investigation

23. As described above, the Securities Division needs to investigate further to identify all of Columbia WM's clients and determine whether the Costello and/or Columbia WM committed any further violations of the Securities in managing those accounts.

Emergency

24. The Securities Administrator finds that the continued registration of Columbia Wealth Management, LLC as an investment adviser, and the continued registration of Patrick J. Costello as an investment adviser representative, as described in the above Tentative Findings of Fact presents a threat to the investing public, and that a Summary Order to suspend those registrations is in the public interest and necessary for the protection of the investing public.

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

CONCLUSIONS OF LAW

- 1. Pursuant to RCW 21.20.450 and WAC 460-24A-047, the Form ADV filings that Patrick J. Costello made on behalf of Columbia Wealth Management, LLC constitute filings with the director for purposes of RCW 21.20.350.
- Columbia WM and Costello each willfully violated RCW 21.20.350 by making a
 Form ADV filing on March 31, 2017 that was materially false or misleading, as described above

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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.
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.
17	4 Costella violated WAC 460 24A 205 because he failed to promptly file

Costello violated WAC 460-24A-205 because he failed to promptly file amendments to his Form U4 to reflect criminal charges or convictions that were filed against him, as described above in the Tentative Findings of Fact. Pursuant to RCW 21.20.110(1)(a) and RCW 21.20.110(1)(b), such conduct is grounds for a fine, suspension and/or registration of Costello's registration as an investment adviser representative, and denial of any future investment adviser, broker-dealer, investment adviser representative, or securities salesperson

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adviser representative registration of Patrick J. Costello, and the investment adviser registration of Columbia Wealth Management, LLC be revoked.

NOTICE OF INTENT TO DENY FUTURE REGISTRATIONS

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

Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to deny any investment adviser, broker-dealer, investment adviser representative, or securities salesperson applications for registration that Patrick J. Costello may file in the future.

NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST

Pursuant to 21.20.390(1) and based on the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order, that Columbia Wealth Management, LLC, Patrick J. Costello, and their agents and employees, each cease and desist from violations of RCW 21.20.350 and WAC 460-24A-205.

NOTICE OF INTENT TO IMPOSE FINES

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

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

NOTICE OF INTENT TO RECOVER COSTS

Pursuant to RCW 21.20.110(7) and 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 Patrick J. Costello and Columbia Wealth Management, LLC, shall be jointly 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 \$1,000.

AUTHORITY AND PROCEDURE

This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. The respondents, Patrick J. Costello and Columbia Wealth Management, LLC may each 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 the respondent does not make a hearing request in the time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final as to that Respondent, and as described above, enter a permanent order to cease and desist, to revoke registrations and bar future registrations, and impose the fines and costs sought.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

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1 Signed and Entered this 6th day of October 2017. 2 3 4 5 William M. Beatty 6 Securities Administrator 7 8 9 10 Approved by: Presented by: 11 An Elm 12 13 Jack McClellan Suzanne Sarason Chief of Enforcement Financial Legal Examiner 14 15 16 17 18 19 20 21 22 23 24 DEPARTMENT OF FINANCIAL INSTITUTIONS SUMMARY ORDER SUSPENDING 13 **Securities Division** 25 INVESTMENT ADVISER AND INVESTMENT PO Box 9033 ADVISER REPRESENATIVE REGISTATION AND Olympia, WA 98507-9033 NOTICE OF INTENT TO REVOKE REGISTRATION 360-902-8760

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