

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

4 IN THE MATTER OF DETERMINING  
Whether there has been a violation of the  
Securities Act of Washington by:

5 Gregory Lone;  
Paramount Financial Advisors LLC;

6 Respondents

Order No.: S-19-2639-20-SC01

STATEMENT OF CHARGES AND  
NOTICE OF INTENT TO  
ENTER ORDER TO CEASE AND DESIST,  
DENY FUTURE REGISTRATIONS,  
IMPOSE FINES, AND CHARGE COSTS

7 THE STATE OF WASHINGTON TO:

8 **Gregory Lone (CRD #2347566, OIC #227770)**  
9 **Paramount Financial Advisors LLC**

10 **STATEMENT OF CHARGES**

11 Please take notice that the Securities Administrator of the State of Washington has reason to believe  
12 that Respondents Gregory Lone and Paramount Financial Advisors LLC have each violated the Securities Act  
13 of Washington. The Securities Administrator believes those violations justify the entry of an order against  
14 the Respondents to cease and desist from such violations and to charge costs pursuant to RCW 21.20.390, and  
under RCW 21.20.395 to impose fines. The Securities Administrator finds as follows:

15 **TENTATIVE FINDINGS OF FACT**

16 **Respondents**

17 1. Gregory Lone ("Lone") is a resident of East Wenatchee, Washington. Lone is a licensed  
18 insurance agent and former registered securities salesperson in Washington; his registration number with the  
19 Office of the Insurance Commissioner is 227770 and his Central Registration Depository number is 2347566.  
20 Lone worked as a registered securities salesperson for American General Securities Inc. from April 1993  
21 through December 2002, and for Edward Jones from April 2004 to June 2006, when he was discharged for  
22 failing to meet his performance goals. Lone has not been registered in the securities industry since his  
23

1 discharge from Edward Jones. The Office of the Insurance Commissioner brought two actions against Lone  
2 in 2018 for (in part) false representations to a client in the sale of an insurance policy.

3 2. Paramount Financial Advisors LLC (“Paramount”) is a Washington limited liability company  
4 formed on October 20, 2014, with its principal place of business in East Wenatchee, Washington.<sup>1</sup> Lone  
5 conducted his insurance and financial business, including the scheme described further below, through  
6 Paramount, and paid for most of his expenses using Paramount’s bank accounts.

### 7 **Nature of the Conduct**

#### 8 **Overview and Background**

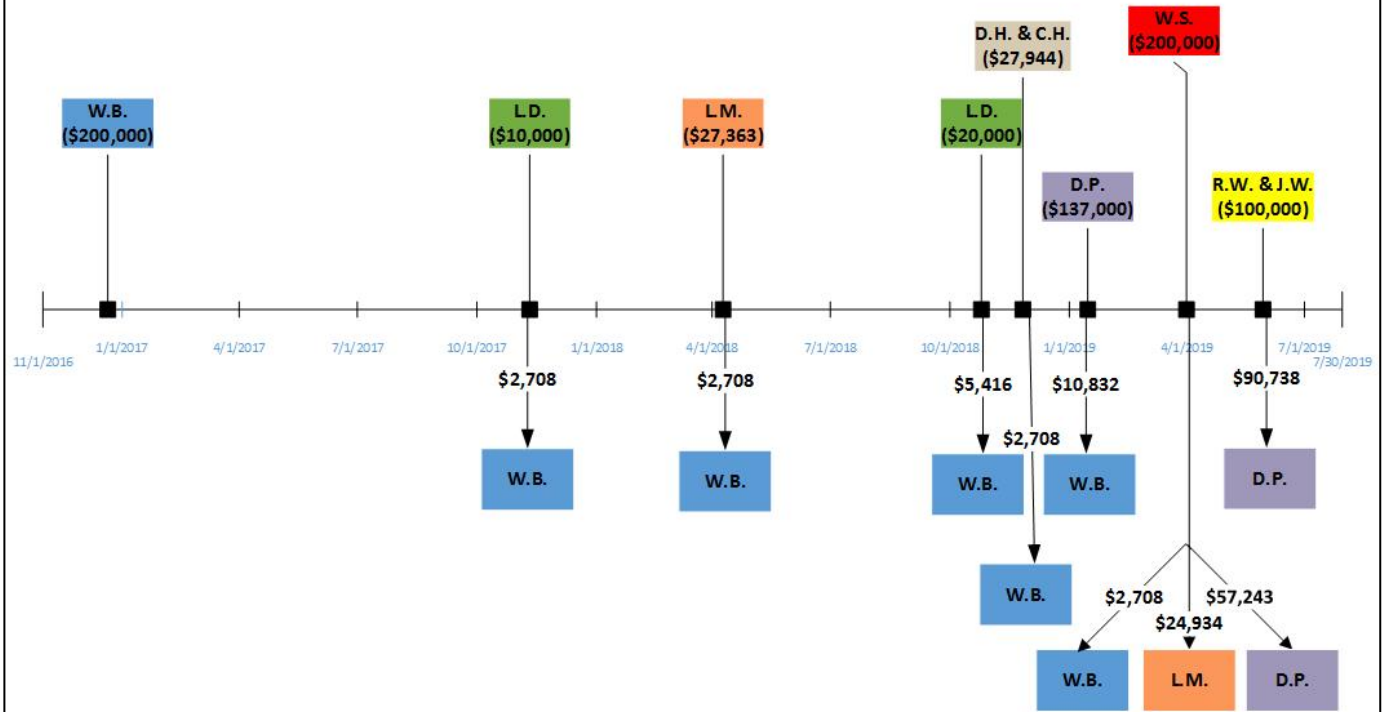
9 3. From December 2016 to at least May 2019, Lone, through Paramount, engaged in a scheme to  
10 defraud at least seven clients of nearly a half-million dollars. Lone falsely told these clients that their money  
11 would be spent on financial products, then used the money for personal and business expenses or to pay  
12 promised returns to other clients. Six of Lone’s defrauded clients were in their eighties or nineties.

13 4. Lone obtained most of his clients by buying out the insurance agency of W.N., a longtime  
14 insurance agent and securities salesperson in the Wenatchee area; each of the victims described below are  
15 former clients of W.N. Although Lone’s methods differed somewhat from client to client, he most commonly  
16 was approached by former W.N. clients who had recently received five-figure or six-figure sums of money  
17 and needed assistance determining how to use the money. Lone then convinced the client to write a check to  
18 Paramount for some form of investment, and subsequently used the money largely for personal expenses or  
19 (in the later stages of the Ponzi scheme) to repay other defrauded clients. The below timeline illustrates how  
20 Lone used funds from one client to repay other clients—commonly known as a Ponzi scheme.<sup>2</sup>

21 \_\_\_\_\_  
22 <sup>1</sup> Despite its name, Paramount is not a registered investment adviser in Washington or any other jurisdiction.

23 <sup>2</sup> The upper portion of the timeline shows the client’s initials and the amount of their investment in parentheses, with the line corresponding to the date Lone deposited their check into Paramount’s bank account. The bottom portion of the chart shows the portion of the proceeds, if any, which Lone used to repay other victims of his Ponzi scheme.

## Clients Defrauded in Lone's Ponzi Scheme



### Defrauded Clients: W.B.

5. W.B. is a 96-year-old resident of East Wenatchee, Washington. W.B. sold her home in late 2016, and wanted to invest the proceeds of \$200,000 in an annuity with a return of approximately \$2,700 per month.<sup>3</sup> Lone researched available annuities and found that there were no annuities offering anywhere near W.B.'s desired rate. Rather than tell W.B. that her goals were not feasible, Lone took W.B.'s \$200,000 and used it to open a business checking account for Paramount; the account was funded entirely with W.B.'s money. Lone told W.B. that she would receive a "guaranteed lifetime income" of \$2,700 per month, direct

<sup>3</sup> Some of the clients described in this Statement of Charges believed they were investing in insurance products over which the Office of the Insurance Commissioner (rather than DFI) has jurisdiction, such as fixed annuities. However, because Lone's Ponzi scheme intermingled his would-be insurance clients' money with his would-be securities clients' money, it is necessary to set forth the scheme as to each affected client.

1 deposited into her checking account once per month, creating the false impression that she owned an annuity  
2 from a legitimate insurance company.

3 6. Over the next five months, Lone used the substantial majority of W.B.'s funds for a variety of  
4 business and personal expenditures, with some of the funds going to pay back W.B. herself. Lone began  
5 sending checks to W.B. from Paramount's checking account in December 2016, repaying her with her own  
6 money, but almost immediately fell behind on payments. When W.B. contacted him to ask about the delayed  
7 payments, Lone blamed the nonexistent insurance company and told W.B. that he would contact them. Until  
8 being contacted by the Securities Division, W.B. was not aware that she did not own a legitimate annuity, or  
9 that Lone was repaying her with her own money.

10 **L.D.**

11 7. L.D. is a resident of Wenatchee, Washington. In November 2017, Lone approached L.D. to  
12 solicit him to invest \$10,000 in what Lone claimed was a Bitcoin-related fund. In reality, this fund did not  
13 exist. As with W.B.'s investments, Lone used the \$10,000 for various business and personal expenses. Lone  
14 further solicited L.D. in October 2018 to invest an additional \$20,000 in what L.D. understood to be an  
15 aggressive stock fund. This stock fund similarly did not exist, and Lone similarly used the money for various  
16 business and personal expenses, including a \$5,500 cash withdrawal and \$3,000 in spending on his  
17 automobile. When L.D. asked Lone to return his money in late 2019 to early 2020, Lone wrote him a check  
18 which was returned for insufficient funds.

19 **L.M.**

20 8. L.M. is a resident of Wenatchee, Washington. In approximately April 2018, Lone solicited  
21 L.M. to invest \$27,563 in what she believed was a variable annuity which would be added onto an existing  
22 annuity. At the time Lone deposited L.M.'s check, Paramount's account was overdrawn by \$1796.64. As with  
23 W.B., Lone did not invest L.M.'s funds, but used them on a variety of business and personal expenses,

1 including the settlement of an action against him by the Office of the Insurance Commissioner and a purported  
2 annuity payment to W.B. Lone did not disclose this unauthorized use of funds to L.M. L.M. requested her  
3 money back in approximately late 2018 to make a down payment on a home. As described further below,  
4 several months after L.M. requested the withdrawal, Lone used another investor's money to repay her. Lone  
5 did not tell L.M. that the repayment was being made with money from another client.

6 **D.H. and C.H.**

7 9. D.H. and C.H. are a married couple residing in East Wenatchee, Washington; they are  
8 respectively 90 and 78 years old. In approximately November 2018, D.H. and C.H. were having issues with  
9 a life insurance policy which they had purchased from W.N., and contacted Lone to assist them. Because they  
10 were upset with W.N.'s handling of the policy, D.H. and C.H. told Lone that they wanted to transfer or sell  
11 all of the investments which W.N. had sold them, including a securities account held at Putnam Investments.  
12 On Lone's instructions, D.H. and C.H. wrote a check to Paramount for \$27,944.30; C.H. was under the  
13 impression that this was part of the process for rolling over the funds. Lone did not invest D.H. and C.H.'s  
14 money, but used it for business and personal expenses, including a purported annuity payment of \$2,708 to  
15 W.B., and a \$3,000 payment to an attorney who had represented him in the above-mentioned actions by the  
16 Office of the Insurance Commissioner.

17 **D.P.**

18 10. D.P. is an 89-year-old resident of Cashmere, Washington. D.P. is legally blind and  
19 substantially relies on a friend for assistance in her everyday life. In late 2018 to early 2019, D.P. wanted to  
20 withdraw \$35,000 from her investment accounts to pay for renovations to her home. D.P. contacted Lone,  
21 who had previously helped her with an insurance matter after taking over W.N.'s agency. At the time, D.P.  
22 had substantial holdings in Microsoft stock inherited from her son, who predeceased her. Lone convinced  
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1 D.P. to withdraw \$137,000 of Microsoft stock and give it to him to invest.<sup>4</sup> After withdrawing the money,  
2 D.P. became concerned about the amount, and instructed Lone to put \$80,000 back into Microsoft stock and  
3 the remaining \$57,000 in a mix of other stocks. Lone did neither, and provided D.P. with falsified account  
4 statements and trade confirmations to deceive her into thinking he had purchased the Microsoft stock.

5 11. At the time Lone deposited D.P.'s check into Paramount's checking account, the checking  
6 account balance was under \$500. On the day he deposited the check and the following day (January 15 and  
7 16, 2019, Lone spent or transferred \$32,958.53 to various sources, including \$5,416 for two months of  
8 purported annuity payments to W.B. and \$7,000 to his personal account at another financial institution. Lone  
9 spent essentially all of D.P.'s \$137,000 between mid-January 2019 and early April 2019, and had a total of  
10 only \$3979.64 in deposits into the Paramount account during that time, meaning that he was living almost  
11 entirely from her stolen funds.

12 **W.S.**

13 12. W.S. is a 95-year-old resident of East Wenatchee, Washington. In February 2019, W.S.  
14 received \$200,000 as the beneficiary of a life insurance policy from a deceased relative. W.S. and her son  
15 T.S., who assists her with financial affairs, contacted Lone after finding W.N.'s name on the insurance  
16 paperwork and subsequently learning that Lone had taken over his business. Lone suggested putting the funds  
17 into a money market account with Paramount while he developed a plan for the use of the funds, along with  
18 additional money from the deceased relative's investment accounts which she had left to W.S., but which  
19 W.S. had not received at that point.

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22 <sup>4</sup> Lone also contacted D.P.'s broker-dealer during this process and represented himself as her financial advisor. Although Lone is  
23 not licensed to provide advice on securities, D.P.'s account representative at the broker-dealer searched for Lone and found that he  
was associated with "Paramount Financial Advisors," which the account representative believed meant that he was appropriately  
licensed.



1 were being used to repay another defrauded client, or tell D.P. that her repayment was coming from another  
2 client rather than from the actual sale of stock.

3 **Registration Status**

4 16. Lone is not currently registered as a securities salesperson or investment adviser representative  
5 in the State of Washington.

6 17. Paramount is not and has never been registered to sell securities in the State of Washington,  
7 nor has it filed a claim of exemption from registration.

8 18. Paramount is not and has never been registered as an investment adviser or broker-dealer in  
9 the State of Washington.

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

11 **CONCLUSIONS OF LAW**

12 1. The offer and/or sale of investments to L.D, L.M., D.P, and R.W. & J.W. described above  
13 constituted the offer and/or sale of a security as defined in RCW 21.20.005(14) and (17).

14 2. Respondents Gregory Lone and Paramount Financial Advisors LLC violated RCW 21.20.140,  
15 because, as set forth in the Tentative Findings of Fact, it offered and/or sold securities for which no registration  
16 is on file with the Securities Administrator.

17 3. Respondent Gregory Lone has violated RCW 21.20.040 by offering and/or selling said  
18 securities while not being registered as a securities salesperson or broker-dealer in the state of Washington.

19 4. Respondents Gregory Lone and Paramount Financial Advisors LLC have violated RCW  
20 21.20.010(2), because, as set forth in the Tentative Findings of Fact, Respondents made untrue statements of  
21 material fact or omitted to state material facts necessary to make the statements made, in light of the  
22 circumstances in which they were made, not misleading.



1           5.       Respondents Gregory Lone and Paramount Financial Advisors LLC have violated RCW  
2 21.20.010(3) because, as set forth in the Tentative Findings of Fact, they engaged in an act, practice, or course  
3 of business which operated as a fraud or deceit upon the above-described clients.

4                   **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

5           Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities  
6 Administrator intends to order, pursuant to RCW 21.20.390(1), that Respondents Gregory Lone and  
7 Paramount Financial Advisors LLC, and their agents and employees, each shall cease and desist from  
8 violations of RCW 21.20.010 and RCW 21.20.140, and that Respondent Gregory Lone, and his agents and  
9 employees shall cease and desist from violations of RCW 21.20.040.

10                   **NOTICE OF INTENT TO DENY FUTURE REGISTRATION**

11           Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and Conclusions  
12 of Law, the Securities Administrator intends to order that any application for registration as an investment  
13 adviser, investment adviser representative, broker-dealer, or securities salesperson by Respondents Gregory  
14 Lone or Paramount Financial Advisors LLC, or any other entity under Respondent Gregory Lone’s actual or  
15 effective control, shall be denied.

16                   **NOTICE OF INTENT TO IMPOSE FINES**

17           Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of Law,  
18 the Securities Administrator intends to order that Respondents Gregory Lone and Paramount Financial  
19 Advisors LLC shall be jointly and severally liable for and shall pay a fine of \$70,000.

20                   **NOTICE OF INTENT TO CHARGE COSTS**

21           Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law,  
22 the Securities Administrator intends to order that Respondents Gregory Lone and Paramount Financial  
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1 Advisors LLC shall be jointly and severally liable for and shall pay the costs, fees, and other expenses incurred  
2 in the administrative investigation and hearing of this matter, in an amount not less than \$10,000.

3 **AUTHORITY AND PROCEDURE**

4 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject  
5 to the provisions of Chapter 34.05 RCW. The Respondents, Gregory Lone and Paramount Financial Advisors  
6 LLC, may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO  
7 DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If a Respondent does not make  
8 a hearing request in the time allowed, the Securities Administrator intends to adopt the above Tentative  
9 Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease and desist as to that  
10 Respondent, to impose any fines sought against that respondent, and to charge any costs sought against that  
11 Respondent.

12 Signed and Entered this 1st day of June, 2020.

14 

16 William M. Beatty  
Securities Administrator

17 Approved by:

Presented by:

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20 Suzanne Sarason  
21 Chief of Enforcement

20 Adam N. Yeaton  
21 Financial Legal Examiner

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Reviewed by:



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Jack McClellan  
Financial Legal Examiner Supervisor