

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

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

Doncaster Financial, Inc.; and
Thomas Doncaster,

Respondents

Order No. S-23-3676-24-SC01

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

THE STATE OF WASHINGTON TO:

Doncaster Financial, Inc.
Thomas Doncaster

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondents, Doncaster Financial, Inc. and Thomas Doncaster, have violated the Securities Act of Washington. The Securities Administrator believes those violations justify the entry of an order to cease and desist, to revoke registrations, to deny future registrations, to impose fines, and to charge costs pursuant to RCW 21.20.110, RCW 21.20.390, and RCW 21.20.395. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Doncaster Financial, Inc. ("Doncaster Financial") (CRD No. 304844) is a Washington corporation formed on May 12, 2020 with a principal place of business in Kennewick, Washington. Doncaster Financial has been registered as an investment adviser with the Securities Division since December 7, 2020. Doncaster Financial acts as a solicitor for an unaffiliated SEC-registered investment adviser.

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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 41200
Olympia, WA 98504-1200
360-902-8760

2. Thomas Doncaster (“Doncaster”) (CRD No. 1926394) is a resident of West Richland, Washington. Doncaster is the President and owner of Doncaster Financial. Between approximately 1989 and 2019, Doncaster was registered in Washington as a securities salesperson and investment adviser representative with various broker-dealers and investment advisers. Between approximately October 22, 2019 and December 6, 2020, Doncaster was not registered with any securities firm. On December 7, 2020, Doncaster became registered as an investment adviser representative at his firm, Doncaster Financial.

Other Relevant Entity

3. Doncaster Insurance and Financial Services, Inc. (“Doncaster Insurance”) is a Washington corporation that was formed on March 21, 2003. Doncaster Insurance is licensed as an insurance producer with the Washington Office of Insurance Commissioner (“OIC”).

Prior DFI Enforcement Action and Consent Orders

4. On January 26, 2010, the Securities Administrator of the state of Washington issued a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, Impose Fines, and to Charge Costs (Order No. S-06-137-08-SC01) against Doncaster for violations of the Securities Act of Washington. The Statement of Charges alleged that Doncaster offered and sold to customers (some of whom were elderly) variable annuities which were unsuitable. The Statement of Charges also alleged that Doncaster falsified account applications, provided clients with unauthorized financial projections, and engaged in other misleading conduct. The Statement of Charges alleged that Doncaster violated the licensing, suitability, and anti-fraud provisions of the Securities Act while offering and advising with regard to securities.

5. On November 10, 2011, Doncaster entered into a Consent Order with the Securities Division (Order No. S-06-137-11-CO01) and agreed to cease and desist from violating the anti-fraud provision of the Securities Act of Washington, the provisions prohibiting unsuitable recommendations, the investment

adviser registration provision, and an administrative rule prohibiting dishonest and unethical business practices.

6. On September 25, 2020, Doncaster and his newly formed firm, Doncaster Financial, entered into a Consent Order (Order No. S-19-2766-20-CO01) with the Securities Division, in connection with an application that was filed by Doncaster Financial for registration as an investment adviser. In the Consent Order, the application for registration was approved and was conditioned upon compliance with several requirements that were outlined in the Consent Order, including the use of an independent outside compliance firm that was required to perform specified tasks. On December 7, 2020, Doncaster Financial became registered as an investment adviser in the state of Washington.

Nature of the Conduct

A. Filing of False and Misleading Balance Sheets

7. Pursuant to RCW 21.20.100 and WAC 460-24A-200(1)(f), all registered investment advisers are required to make and keep true, accurate, and current books and records, including financial statements, and other supporting financial records relating to their business as an investment adviser, a balance sheet prepared in accordance with generally accepted accounting principles (GAAP), an income statement, a cash flow statement, and a net worth computation.

8. Under WAC 460-24A-060, Doncaster Financial was required to file a fiscal year-end balance sheet with the Securities Division no more than 120 days after the end of its fiscal year. The balance sheet must be prepared in accordance with GAAP and must be “represented by you or the person who prepared the statement as true and accurate, as of the end of your fiscal year.” As described below, Doncaster Financial did not make or keep accurate balance sheets and filed balance sheets with the Securities Division that were not accurate, were not prepared in accordance with GAAP, and which did not comply with WAC 460-24A-060. None of the balance sheets filed by Doncaster Financial between 2021 and 2024 were

1 accurate and none of the balance sheets were prepared in accordance with GAAP. Under RCW 21.20.350,
2 it is unlawful to cause a document to be filed with the Securities Division that is false or misleading in any
3 material respect.

4 9. On May 14, 2021, the Respondents caused a balance sheet to be filed with the Securities
5 Division for the end of fiscal year 2020 (December 31, 2020). Doncaster signed the balance sheet and
6 certified that it was a “true, correct and complete financial statement.” The balance sheet listed \$0 in
7 “Accounts Recievabe” [sic] and \$0 in “Iventory” [sic]. The balance sheet listed “Total current assests” [sic]
8 of \$14,409.00, all of which was in cash. In truth, Doncaster Financial did not have cash assets in this amount
9 and did not open a business bank account until February 2021. As described below, Doncaster Financial
10 entered into a promissory note in 2020, which was not disclosed as a liability on the balance sheet.

11 10. On April 27, 2022, the Securities Division contacted Doncaster after he failed to file a balance
12 sheet for the end of fiscal year 2021 (December 31, 2021). On April 30, 2022, Doncaster filed an inaccurate
13 balance sheet via email. While the dates on the balance sheet were changed from 2020 to 2021, all of the
14 figures on the balance sheet were identical to the 2020 balance sheet that was filed in 2021. The balance
15 sheet represented that the firm’s cash assets on December 31, 2021 were \$14,409.00. Bank records show
16 that the balance in the Doncaster Financial’s business bank account on December 31, 2021 was \$1,000.

17 11. On June 7, 2022, the Securities Division performed an examination of Doncaster Financial
18 at its office in Kennewick, Washington. In connection with the examination, Doncaster provided a revised
19 2021 balance sheet with numerous changes, including its cash balance. The balance sheet also added a
20 liability for compliance fees; removed accrued wages of more than \$5,000; removed accrued payroll taxes
21 of approximately \$1,400; and removed miscellaneous expenses, office supplies, and training program
22 expenses. The “Current Assets” section of the balance sheet listed an “Accounts Recievabe” [sic] in the
23 amount of \$10,000. The balance sheet indicated that this was a loan from Doncaster Insurance, another

business owned by Doncaster. Doncaster later provided the Securities Division with a promissory note dated December 1, 2020. According to the promissory note, the \$10,000 loan was due to be repaid in a lump sum no later than December 31, 2024. The loan was not listed on the liabilities section of the balance sheet. In September 2022, the Securities Division sent a deficiency letter to the Respondents and identified more than twenty compliance issues, including inaccurate balance sheets.

12. On May 3, 2023, Doncaster filed a balance sheet that was captioned “Balance Sheet January-April 10, 2023.” As described above, investment advisers are required to file a fiscal *year-end* balance sheet, which for Doncaster Financial was December 31, 2022. The balance sheet listed \$34,507.00 in cash. Bank records indicate that on December 31, 2022, Doncaster Financial had a balance of \$1,291.61 in its business checking account.

13. On April 29, 2024, Doncaster filed a balance sheet for the end of fiscal year 2023. The balance sheet listed no cash assets and “Accounts Recievable” [sic] of \$57,063.81. Bank records indicate that on December 31, 2023, Doncaster Financial had a balance of \$7,950.15 in its business checking account.

B. False Statements Regarding Business Relationship with Another Investment Adviser Representative and Failure to Disclose Compensation Agreement

14. In August 2024, the Securities Division issued a subpoena to Doncaster and Doncaster Financial as part of an investigation into potential violations of the Securities Act of Washington. In October 2024, the Securities Division requested additional documents and information from the Respondents as part of the ongoing investigation, including a description of Doncaster Financial’s relationship with J.S. (an investment adviser representative at an SEC-registered investment adviser) and his business and copies of all written agreements.

15. On November 6, 2024, Doncaster caused a letter to be sent via email to the Securities Division which stated in part: “**There is no relationship** between myself and [J.S.]” (emphasis added).

Doncaster's letter further stated that he sold his securities practice to J.S. in 2019. Doncaster provided the Securities Division with two pages (pages 6 and 7) of a twenty-page written agreement that was executed with J.S. in 2019.

16. Doncaster's letter to the Securities Division was materially false or misleading because it failed to disclose the true and ongoing nature of his business relationship with J.S. Between 2019 and 2023, J.S. paid a total of more than \$900,000 to Doncaster's business, Doncaster Insurance, as part of the sale of insurance and advisory client accounts. These payments were made quarterly and included a 5% interest charge on the balance owed. Bank records show that there were multiple fund transfers between Doncaster Financial and Doncaster Insurance. For example, on January 20, 2023, J.S. transferred \$45,000 to a bank account in the name of Doncaster Insurance. The same day, \$10,000 was transferred from this account to Doncaster Financial.

17. Doncaster's letter failed to disclose that in 2023, he entered into an agreement in which J.S. agreed to pay \$367,500 for additional client accounts. The agreement included the sale of approximately 39 advisory accounts for \$287,000. After entering into the agreement, Doncaster caused communications to be sent to clients regarding his "retirement" and which indicated that J.S. would be handling their investment and insurance accounts. These communications described J.S. as Doncaster's "partner" or "associate/partner." Between January 2024 and October 2024, J.S. paid \$180,000 to Doncaster's business, Doncaster Insurance.

18. After entering into the 2023 agreement for the sale of additional advisory and non-advisory client accounts, Doncaster made presentations to the public at libraries and opened advisory accounts with new clients. As a registered investment adviser and investment adviser representative, Doncaster and Doncaster Financial had a fiduciary duty to fully disclose all material facts relating to the advisory relationship and to make full disclosure of all material conflicts of interest that could affect the advisory

1 relationship. Under WAC 460-24A-220(11), it is an unethical business practice to fail to disclose financial
2 or other interests that could reasonably be expected to impair the rendering of unbiased and objective advice,
3 including compensation arrangements connected with advisory services to clients. The Respondents failed
4 to provide written disclosure to advisory clients that he had an ongoing compensation agreement with
5 another investment adviser representative and was receiving quarterly payments as part of this ongoing
6 compensation agreement.

7 19. Under WAC 460-24A-145 and WAC 460-24A-205, registered investment advisers must file
8 and update their Form ADV Part 2, a brochure that provides current and prospective clients with important
9 disclosures about their investment adviser and its representatives, including business practices, fees, and
10 conflicts of interest. Item 10 of Form ADV Part 2 requires the disclosure of Other Financial Industry
11 Activities and Affiliations. Item 10 of Doncaster Financial's Form ADV Part 2 misleadingly stated
12 "Doncaster Financial only receives compensation directly from clients" and "We do not receive
13 compensation from any outside source." The Form ADV Part 2 also stated "We do not have any conflicts
14 of interest with any outside party." The Form ADV Part 2 filed by Doncaster Financial failed to disclose
15 the ongoing compensation agreement with J.S., the quarterly payments that were being made by J.S., or the
16 potential conflicts of interest of this business relationship. The Respondents failed to update the firm's Form
17 ADV Part 2 after entering the 2023 compensation agreement with J.S. regarding the sale of advisory client
18 accounts.

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

20 CONCLUSIONS OF LAW

21 1. Respondents Doncaster Financial, Inc. and Thomas Doncaster have willfully violated WAC
22 460-24A-060 by filing balance sheets with the Securities Division that were not accurate and not prepared
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1 in accordance with generally accepted accounting principles. Such conduct is grounds for an order to revoke
2 their investment adviser and investment adviser registrations under RCW 21.20.110(1)(b).

3 2. Respondents Doncaster Financial, Inc. and Thomas Doncaster have willfully violated RCW
4 21.20.100(3) and WAC 460-24A-200(1)(f) by failing to make and keep true, accurate, and current books and
5 records, including a balance sheet that was prepared in accordance with generally accepted accounting
6 principles. Such conduct is grounds for an order to revoke their investment adviser and investment adviser
7 registrations under RCW 21.20.110(1)(b).

8 3. Respondents Doncaster Financial, Inc. and Thomas Doncaster willfully violated WAC 460-
9 24A-205 by failing to promptly file amendments to Form ADV Part 2 to disclose the 2023 compensation
10 agreement with J.S. regarding the sale of advisory client accounts. Such conduct is grounds for an order to
11 revoke their investment adviser and investment adviser registration under RCW 21.20.110(1)(b).

12 4. Respondents Doncaster Financial, Inc. and Thomas Doncaster have willfully violated WAC
13 460-24A-220 and RCW 21.20.020(1)(c) by engaging in a dishonest or unethical business practice as defined
14 by rule, including breaching their fiduciary duty, by engaging in nondisclosure, incomplete disclosure, and/or
15 deceptive practices, and by failing to disclose to clients in writing, before any advice is rendered, a material
16 conflict of interest relating to the investment adviser or investment adviser representative which could
17 reasonably be expected to impair the rendering of unbiased and objective advice. Such practice is grounds
18 for the revocation of their investment adviser and investment adviser representative registrations pursuant to
19 RCW 21.20.110(1)(b) and RCW 21.20.110(1)(g).

20 5. Respondents Doncaster Financial, Inc. and Thomas Doncaster have willfully violated RCW
21 21.20.350 by causing documents, including balance sheets, to be filed with the Securities Division that
22 contained a statement that was, at the time and in light of the circumstances under which it was made, false
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1 or misleading in a material respect. Such conduct is grounds for an order to revoke their investment adviser
2 and investment adviser registrations under RCW 21.20.110(1)(b).

3 **NOTICE OF INTENT TO ORDER THE RESPONDENTS TO CEASE AND DESIST**

4 Pursuant to RCW 21.20.390 and RCW 21.20.110 and based upon the above Tentative Findings of
5 Fact and Conclusions of Law, the Securities Administrator intends to order that the Respondents
6 Doncaster Financial, Inc. and Thomas Doncaster shall cease and desist from violations of RCW 21.20.020,
7 RCW 21.20.100, RCW 21.20.350, WAC 460-24A-060, WAC 460-24A-200, WAC 460-24A-205, and
8 WAC 460-24A-220.

9 **NOTICE OF INTENT TO REVOKE REGISTRATIONS**

10 Pursuant to RCW 21.20.110(1) and based upon the Tentative Findings of Fact and Conclusions of
11 Law, the Securities Administrator intends to order that the investment adviser registration of Doncaster
12 Financial, Inc. and the investment adviser representative registration of Thomas Doncaster be revoked.

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

15 Pursuant to RCW 21.20.110(1) and based upon the Tentative Findings of Fact and Conclusions of
16 Law, the Securities Administrator intends to deny any investment adviser or investment adviser
17 representative applications for registration that Thomas Doncaster or Doncaster Financial, Inc. may file in
18 the future.

19 **NOTICE OF INTENT TO IMPOSE FINES**

20 Pursuant to RCW 21.20.110(1)(g) and RCW 21.20.395 and based upon the above Tentative
21 Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondent
22 Doncaster Financial, Inc. shall be liable for and shall pay a fine of \$30,000 and that Respondent Thomas
23 Doncaster shall be liable for and shall pay a fine of \$30,000.

1 **NOTICE OF INTENT TO CHARGE COSTS**

2 Pursuant to RCW 21.20.110(7) and RCW 21.20.390 and based upon the above Tentative Findings
3 of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondents Doncaster
4 Financial, Inc. and Thomas Doncaster shall be liable for and shall pay the costs, fees, and other expenses
5 incurred in the administrative investigation and hearing of this matter, in an amount not less than \$30,000.

6 **AUTHORITY AND PROCEDURE**

7 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is
8 subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. Respondents Doncaster Financial,
9 Inc. and Thomas Doncaster may make a written request for a hearing as set forth in the NOTICE OF
10 OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If the
11 Respondent does not make a hearing request in the time allowed, the Securities Administrator intends to
12 adopt the above Tentative Findings of Fact and Conclusions of Law as final as to the Respondent, and as
13 described above, enter a permanent order to cease and desist, to revoke registrations, to deny future
14 registrations, and to impose the fines and costs sought.

1 SIGNED and ENTERED this 14th day of March, 2025.



6 /s/

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8 William M. Beatty
Securities Administrator

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10 Approved by:

Presented by:

11 /s/

/s/

12 Brian J. Guerard
13 Chief of Enforcement

14 Robert Kondrat
15 Financial Legal Examiner

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