

FILED

SEP 22 2016

Kansas  
Securities Commissioner

BEFORE THE SECURITIES COMMISSIONER  
OF THE STATE OF KANSAS

In the Matter of:

STEPHEN E. WINKELMAN, JR. (CRD No. 2223820),

Docket No. 17 E 003

Respondent.

KSC No. 2015-6250

Pursuant to K.S.A. 17-12a412 & K.S.A. 17-12a604

**ORDER TO CEASE AND DESIST AND NOTICE OF INTENT TO IMPOSE  
ADMINISTRATIVE SANCTIONS**

Staff for the Office of the Kansas Securities Commissioner (“KSC Staff”) allege that sufficient evidence exists to provide cause under K.S.A. 17-12a412 and K.S.A. 17-12a604 to invoke administrative sanctions against Respondent pursuant to the Kansas Uniform Securities Act (“KUSA”). If the allegations set forth below are found to be true, through either administrative adjudication, failure of Respondent to make a timely request for hearing, or default of Respondent, it is the intention of KSC Staff to seek an order from the Commissioner to impose sanctions upon Respondent. Such sanctions may include, *inter alia*, revocation of registration, suspension of registration, conditions or limitations on registration, censure, bar or suspension from association with a broker-dealer or investment adviser registered in the State of Kansas, fines, restitution, disgorgement, an order for costs, and/or a permanent cease and desist order.

If Respondent wishes to contest the facts alleged below or offer evidence and argument to mitigate those facts, then Respondent must file a request for hearing within 33 days after the date of mailing on the *Certificate of Service* attached to this Order. The request for hearing must be in the manner and form prescribed by K.A.R. 81-11-3 and K.A.R. 81-11-5, and it must be filed

with the Office of the Kansas Securities Commissioner, 109 SW 9<sup>th</sup> St., Suite 600, Topeka, Kansas, 66612. The request for hearing must be verified under oath by Respondent. If Respondent disputes any of the allegations set forth below, Respondent shall specifically deny such allegations or such allegations will be deemed admitted by Respondent. If a request for hearing is not timely filed, the Commissioner may issue a final order without further proceedings.

### **I. FINDINGS OF FACT**

1. On or about August 18, 2014, the Office of the Kansas Securities Commissioner (“KSC”) was contacted by the adult children (“Complainants”) of a recently deceased client (“Former Client”) of Respondent Stephen E. Winkelman, Jr. (“Respondent”), CRD No. 2223820.
2. Complainants alleged multiple concerns, including confusion regarding the amount of Former Client’s assets that remained after Former Client’s death.
3. KSC Senior Special Agent Chad Entsminger (“Entsminger”) and KSC Senior Examiner Kenny Becker (“Becker”) were assigned to investigate the Complainants’ allegations.
4. The Financial Industry Regulatory Authority (“FINRA”) is a private, non-governmental organization, formed by the industry firms and professionals that it regulates. FINRA is registered with the United States Securities and Exchange Commission as a self-regulatory organization pursuant to the Securities Exchange Act of 1934.

#### ***Respondent’s Background***

5. Respondent is a former broker-dealer agent of multiple broker-dealers, including: USAllianz Securities, Inc. (“USAllianz”), CRD No. 40875; Centaurus Financial, Inc.

("Centaurus"), CRD No. 30833; and Independent Financial Group, LLC ("Independent Financial"), CRD No. 7717.

- a. USAllianz was registered in the State of Kansas as a broker-dealer until December 31, 2006, when its registration was terminated. Its main address was located at 5701 Golden Hills Drive, Minneapolis, Minnesota, 55416.
  - b. Respondent was registered as a broker-dealer agent for USAllianz from March 3, 2004 to September 22, 2006, and was located at the firm's branch office at 151 South Whittier, Suite 1000C, Wichita, Kansas, 67207.
  - c. Centaurus is registered with FINRA and the State of Kansas as a broker-dealer. Its main office is located at 2300 E. Katella Avenue, Suite 200, Anaheim, California, 92806.
  - d. Respondent was registered as a broker-dealer agent for Centaurus from September 22, 2006 to December 31, 2012, and was located at the firm's branch office at 151 South Whittier, Suite 1000C, Wichita, Kansas, 67207.
  - e. Independent Financial is registered with FINRA and the State of Kansas as a broker-dealer. Its main office is located at 12671 High Bluff Drive, Suite 200, San Diego, California, 92130.
  - f. Respondent was registered as a broker-dealer agent for Independent Financial from January 18, 2013 to May 22, 2014, and was located at the firm's branch office at 300 North Lake Avenue, Suite 210, Pasadena, California, 91101.
6. Respondent was registered as a broker-dealer agent with the State of Kansas during each of the aforementioned employment periods.

7. Respondent is subject to the Kansas Securities Commissioner's ("Commissioner") jurisdiction due to the following reasons:
  - a. Respondent was registered as a broker-dealer agent with the State of Kansas during each of the aforementioned periods of employment;
  - b. Respondent provided brokerage services to Former Client while physically present within the State of Kansas; and
  - c. Former Client was a resident of the State of Kansas when Respondent provided brokerage services to her, until Former Client's death on July 25, 2013.
8. In addition to being a broker-dealer agent, Respondent also engaged in an outside business activity that consisted of Respondent preparing tax documents through a firm that he owned, Moneyscope Tax & Investment Strategies ("Moneyscope").

***Former Client's Assets***

9. Respondent provided brokerage services to Former Client while he was a broker-dealer agent for USAllianz, Centaurus, and Independent Financial until Former Client's death on July 25, 2013.
10. Former Client's assets were held within a revocable trust, which owned a brokerage account and other securities that Former Client purchased through Respondent's services, including a Real Estate Investment Trust and several annuities.
11. Respondent also prepared tax documents through his tax preparation business, Moneyscope, for Former Client.
12. Respondent prepared a Consolidated Financial Statement as of November 1, 2010 ("Consolidated Financial Statement") for Former Client.

13. The Consolidated Financial Statement stated, *inter alia*, that Former Client's revocable trust owned the following assets: Total Cash Equivalents worth \$32,856 and various stocks and bonds valued at \$268,560.
14. After Former Client passed away, one of the Complainants contacted Respondent multiple times in order to determine what assets Former Client owned and where those assets were located.
15. Respondent provided a response to the Complainant's request via email on December 11, 2013. Within said email, Respondent admitted to inflating "the numbers on the 2010 Financial Statement so that she [Former Client] wouldn't worry and that you [Complainant] wouldn't worry as well."
16. Senior Examiner Becker performed a review of Former Client's financial records and was able to corroborate Respondent's admission that he inflated the figures contained within Former Client's Consolidated Financial Statement.
17. Senior Examiner Becker was able to determine that Respondent inflated Former Client's Consolidated Financial Statement Total Cash Equivalents value by \$30,843 and the value of the various listed stocks and bonds by \$266,858. In total, Respondent overstated Former Client's assets on the Consolidated Financial Statement by approximately \$297,701.

***Attempts to Contact Respondent***

18. As a part of Senior Special Agent Entsminger's investigation, he attempted to contact Respondent multiple times in order to gain facts related to Complainants' allegations.
19. Through Senior Special Agent Entsminger's investigation, he obtained the phone number [REDACTED] as a possible phone number to reach Respondent.

20. On or about April 13, 2015, Senior Special Agent Entsminger dialed said phone number and the phone rang but a person did not answer Senior Special Agent Entsminger's call. However, a message service stated that the caller could leave a message for "Steve". Senior Special Agent Entsminger left a voicemail message that stated his name, the name of the KSC, Senior Special Agent Entsminger's KSC phone number, and a request for Respondent to contact Senior Special Agent Entsminger.
21. Senior Special Agent Entsminger did not receive a return phone call from Respondent.
22. According to Respondent's most recently filed Form U4 on the Central Registration Depository ("CRD"), Respondent's last known residential address is [REDACTED] [REDACTED] ("Last Known Address").
23. On or about April 14, 2015, a letter was mailed via United States Postal Service ("USPS") certified mail by Senior Special Agent Entsminger to Respondent's Last Known Address. The letter requested Respondent to contact Senior Special Agent Entsminger regarding Former Client's securities related accounts.
24. On or about April 27, 2015, said letter was returned to KSC unopened, with a USPS sticker which read, "Return to Sender Not Deliverable as Addressed Unable to Forward."
25. Senior Special Agent Entsminger did not receive a response to the April 14, 2015 letter that he mailed to Respondent.
26. On or about February 26, 2016, a second letter was drafted by Senior Special Agent Entsminger to Respondent. Said letter requested Respondent to contact Senior Special Agent Entsminger regarding Former Client's securities related accounts by March 7, 2016.

27. Three copies of the letter drafted by Senior Special Agent Entsminger on February 26, 2016, were mailed to Respondent on the same day:
- a. One copy was sent via USPS standard mail to Respondent's Last Known Address. Senior Special Agent Entsminger does not recall this copy of the letter being returned to KSC by USPS as unable to deliver or forward.
  - b. One copy was sent via USPS standard mail to [REDACTED] [REDACTED] ("Possible New Address"). Said address was obtained through Senior Special Agent Entsminger's investigation. Senior Special Agent Entsminger does not recall this copy of the letter being returned to KSC by USPS as unable to deliver or forward.
  - c. One copy was sent via USPS certified mail to Respondent's Possible New Address. On or about March 22, 2016, this copy of the letter was returned to KSC unopened, with a USPS sticker, which read, "Return to Sender Not Deliverable as Addressed Unable to Forward."
28. Senior Special Agent Entsminger did not receive a response to the three copies of the February 26, 2016 letter that he mailed to Respondent.

***Respondent's Registration with FINRA***

29. On or about December 8, 2014, FINRA suspended Respondent from associating with any FINRA member firm in any capacity due to Respondent's failure to respond to a request for information issued by FINRA. The corresponding Form U6 filed by FINRA on the CRD stated that if Respondent failed to request termination of said suspension within three months of the date of the notice of suspension, he would automatically be barred on February 15, 2015, from association with any FINRA member in any capacity.

30. On or about February 17, 2015, FINRA barred Respondent from association with any FINRA member in any capacity due to his failure to respond to a request for information issued by FINRA.
31. Revocation of Respondent's broker-dealer agent registration is in the public interest.

## II. CONCLUSIONS OF LAW

32. The Commissioner has jurisdiction over Respondent and this matter.
33. Pursuant to K.S.A. 17-12a604(a), the Commissioner may issue an order directing the Respondent to cease and desist from engaging in an act, practice, or course of business constituting a violation of the KUSA and KAR.
34. According to K.S.A. 17-12a412(d)(13), a person may be disciplined if the person has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance, or insurance business within the previous 10 years.
35. Pursuant to K.A.R. 81-3-6(c), a person registered as a broker-dealer agent under the KUSA shall not fail to observe high standards of commercial honor and just and equitable principles of trade in the conduct of the person's business.
36. According to K.S.A. 17-12a412(d)(8), a person may be disciplined if the person fails willfully and without cause to comply with a request for information by the administrator or person designated by the administrator in conducting investigations or examinations pursuant to the KUSA.
37. According to K.S.A. 17-12a412(d)(5)(C), a person may be disciplined if the person is the subject of an order, issued after notice and opportunity for hearing, by a self-regulatory organization suspending or expelling the registrant from membership in the self-regulatory organization.

38. According to K.S.A. 17-12a412(c), discipline for violations of K.S.A. 17-12a412(d)(13), K.S.A. 17-12a412(d)(8), and K.S.A. 17-12a412(d)(5)(C) may include: (1) a censure; (2) a bar or suspension from association with a broker-dealer or investment adviser registered in this state; (3) a civil penalty of up to \$25,000 for each violation; (4) an order requiring the registrant to pay restitution for any loss or disgorge any profits arising from a violation, including, in the Administrator's discretion, the assessment of interest from the date of the violation at the rate provided for interest on judgments by K.S.A. 16-204, and amendments thereto; (5) an order charging the registrant with the actual cost of an investigation or proceeding; or (6) an order requiring the registrant to cease and desist from any action that constitutes a ground for discipline, or to take other action necessary or appropriate to comply with the KUSA.

**I. Failure to Observe High Standards of Commercial Honor and Just and Equitable Principles of Trade**

39. In violation of K.A.R. 81-3-6(c), Respondent failed to observe high standards of commercial honor and just and equitable principles of trade in the conduct of Respondent's business when Respondent prepared and supplied Former Client with a Consolidated Financial Statement that overstated Former Client's assets by approximately \$297,701.

**II. Failure to Comply With a Request For Information By a Person Designated By the Administrator**

40. In violation of K.S.A. 17-12a412(d)(8), Respondent willfully and without cause failed to comply with a request for information from KSC Staff on the following occasions:

- a. On or about April 13, 2015, Senior Special Agent Entsminger attempted to call 316-304-3991, a phone number that he believed could be Respondent's phone number.

Senior Special Agent Entsminger left a voicemail message asking Respondent to return the phone call.

- b. On or about April 14, 2015, a request letter was mailed via USPS certified mail by Senior Special Agent Entsminger to Respondent's Last Known Address.
- c. On or about February 26, 2016, a second request letter was sent by Senior Special Agent Entsminger to Respondent via:
  - i. USPS standard mail to Respondent's Last Known Address;
  - ii. USPS standard mail to Respondent's Possible New Address; and
  - iii. USPS certified mail to Respondent's Possible New Address.

### **III. Expulsion From FINRA Membership**

- 41. Pursuant to K.S.A. 17-12a412(d)(5)(C), Respondent's expulsion from FINRA membership, after notice and opportunity for hearing, constitutes a ground for discipline.

Based on the above, KSC Staff alleges that a Final Cease and Desist Order and Order Imposing Administrative Sanctions should be issued due to Respondent's (1) failure to observe high standards of commercial honor and just and equitable principles of trade in the conduct of his business; (2) willful failure, without cause, to comply with the multiple requests for information from a person designated by the Commissioner in conducting an investigation or examination pursuant to the KUSA; and (3) expulsion from FINRA membership.

### III. ORDER

It is hereby Ordered that Respondent is prohibited from violating or materially aiding in any violations of K.A.R. 81-3-6(c). It is the intention of the Commissioner to seek revocation of Respondent's broker-dealer agent registration with the State of Kansas and prevent Respondent from associating with any broker-dealer or investment adviser that is registered, or should be registered, with the State of Kansas.

**IT IS SO ORDERED BY THE COMMISSIONER.**

Entered at Topeka, Kansas, this 22<sup>nd</sup> day of September, 2016,



Joshua A. Ney  
Kansas Securities Commissioner

## CERTIFICATE OF SERVICE

On this 22 day of Sept, 2011, I was provided a copy of the  
aforementioned process on behalf of the Office of the Securities Commissioner. I promptly sent  
notice of the process to the address below, being the address set forth in the recipient's consent to  
service of process or last known address. The process was sent via first class and certified mail,  
receipt requested to:

Stephen Eugene Winkelman, Jr.

[REDACTED]

Montrose, CA 91020

Stephen Eugene Winkelman, Jr.

[REDACTED]

La Crescenta, CA 91214-2537

[REDACTED]

Nickie Oathout