



State of Washington
Office of the Insurance Commissioner
Hearings Unit
PO Box 40255
Olympia WA 98504-0255
5000 Capitol Boulevard
Tumwater, WA 98501
(360) 725-7002 FAX (360) 664-2782
HearingsU@oic.wa.gov

Demand for Hearing

FILED

2017 AUG 10 P 3:49

Please type or print in ink. Attach a copy of the Order or correspondence in dispute and all documents supporting your demand.

This Demand for Hearing can be mailed, faxed, hand-delivered or emailed to the Hearings Unit at the address above.

For OIC Demands, please provide contact information for all other interested parties and their representatives.

HEARINGS UNIT
OFFICE OF

INSURANCE COMMISSIONER

1 Requesting Party (required information)

Name/Business Name Robert Arnold Justice		OIC Case/Order No. 840152
Street Address 1712 Summit Avenue, Apt. #58		City, State, Zip Seattle, WA, 98122
Telephone Number 512-363-3107	Fax Number	
Contact Person Robert Justice	Telephone Number 512-363-3107	Email Address rjustice888@gmail.com

2 Authorized Representative/Attorney for Requesting Party

Last Name	First	M.I.
Business Name		
Street Address		City, State, Zip
Telephone Number	Fax Number	Email Address

3 Subject Matter of Demand for Hearing

- Revocation or Denial of License
 Revocation or Denial Certificate of Authority or Registration
 Cease and Desist Order
 Imposition of Fine/Consent Order
 Other _____

4 Additional Parties/Representatives (for more parties and/or representatives, please attach additional pages)

Last Name	First	M.I.
Business Name		
Street Address		City, State, Zip
Telephone Number	Fax Number	Email Address

5 Issues and Arguments

- a. **Issues** – Briefly describe each issue or area of dispute that you wish us to consider. Attach additional pages if necessary.

PLEASE NOTE: This form requested a OIC Case/Order Number. I was not provided with a Case/Order Number, only a Transaction Number which is 840152. So, that was the number I provided in that space on this form. If that was not the correct number, I also have a license number provided to me that was apparently my old license number with the OIC which is LIC146149. Hopefully, one of these two will allow you to find me in your system.

The primary issue is that I have been denied a life insurance license because of a felony conviction on my record. It is apparent from the response to my application from the OIC that they gave no consideration to the circumstances surrounding my conviction but simply denied

- b. **Arguments** – Explain why each issue or area of dispute listed above should be decided in your favor. Attach additional pages if necessary. To the extent known, cite applicable rules, statutes, or cases in support of your arguments. Enclose copies of documents concerning your arguments including documents the Department previously requested from you that you have not yet provided.

My arguments are laid out in detail in my attached written statement which I provided to the OIC with my application. I would like to discuss this matter in person with someone who has the authority to hear my appeal and override the OIC's decision. I don't believe fair consideration was given to any of my arguments presented in my statement that accompanied my application. My conviction is not representative of who I am and what I'm about. Additionally, I have a company that is willing to take me on as an agent, willing to monitor my conduct, and knows of my circumstances. I'm attaching a written statement from the President of that company in support of my being granted a life insurance license. I believe I am deserving of a second chance.

6 Signature

Either the Requesting Party or the Attorney/Representative can sign this Demand for Hearing. However, if the Representative is submitting the Demand, contact information for the Requesting Party must be provided under Section 1 above and the Attorney/Representative's contact information must be provided in Section 2.

Requesting Party:

Signature

Date

Name (please print or type)

Title

Authorized Representative:

Signature

Date

Name (please print or type)

Title

My Statement for OIC Regarding Criminal Conviction

In January 2012, I chose to plead guilty, under an Alford plea, to a felony charge of securities fraud. The circumstances surrounding that charge and my choice to plead as I did are as follows.

In 2002, I found myself facing a series of very difficult circumstances that all came together at once. I had since 1989 been dealing with a diagnosis of an autoimmune disorder called ulcerative colitis. Up to the point of that diagnosis I had never had any serious health problems and no history of digestive system problems whatsoever. This disease took everything from me. I lost my home, my wife, my family, my friends, any money I had, all social life, my financial life, my professional life, my future. Everything was taken from me. Between 1989 and 2001 I was hospitalized 7 times and in the end was left with nothing. It became impossible for me to work at a regular job because I couldn't physically travel back and forth to a regular job and the internet wasn't then what it is today so my options to earn an income were limited. I had no job and no hope of being able to get or maintain one.

The circumstances that resulted in my having a criminal record were a direct result of my having been sick for so long. At the beginning of 2002 I sold every last item of value I possessed to survive. As the year moved on I looked into several options for employment but nothing panned out. A business opportunity presented itself which led me to become engaged with a man I had met years before named Stephen Klos. That opportunity wasn't successful and as a result I found myself with no money and no prospects. I also felt beholden to Mr. Klos for having taken a chance with me that didn't work out. So I wanted to find a way to make things right with him.

At the end of the 1990's I had been able to make something of a living trading the financial markets using a specific strategy that I could implement even in the face of the health challenges I was facing. A conversation with Mr. Klos about this led to a decision on his part to make it possible for me to pursue trading the financial markets for a living again using the same strategy. He made money available to me, that had come from a friend of his, to pursue that specific strategy I had used previously. As soon as I got set up to begin trading, I discovered that because of specific changes to the way the market was now pricing trading instruments, the strategy that I had previously employed in the market was no longer valid.

I informed Mr. Klos of this reality and told him to return the money to his friend. I was prepared to see my life come to an end at this point. Mr. Klos then asked me if I could learn another strategy and what it would take to do so. Never having had a problem in my life learning anything my obvious answer to his question was, "Yes." He then decided to essentially fund my education to more legitimately learn the specific skill of trading the financial markets. In return, I would repay him for the loss he had suffered in the previous business opportunity, repay him for the costs of my education, and then share with him a percentage of my trading profits over some specific period of time.

When I got the opportunity to learn the skills of a trader I was in a very weak and vulnerable position. I had no other options. As I previously stated, I was not physically able to work at a regular job. It was not physically possible for me to even travel back and forth every day to a job. I couldn't provide for myself.

So, when the opportunity presented itself for me to learn a skill that I was always interested in learning, that I in fact had passion for, I jumped at it. It was the one thing I could see myself being able to do to provide for myself. It didn't require me to travel every day to a job and I could earn at a level necessary to provide for my healthcare needs and to build a life for myself.

I became myopically focused on developing my skills as a trader and trusted that everything else was ok because I thought I could trust the man who gave me the opportunity, Steve Klos. It was because of that myopic focus that I didn't see Mr. Klos, a man I trusted, for who he really was, and I just flat out missed what was right in front of me. at least that is the way I see it because I am choosing to be responsible for my actions and inactions, in this case.

The man never gave me any real reason to distrust him; In fact, he gave me every reason to trust him. I was still struggling with my health and he stood by me through that. He presented himself as the most kind, gentle man you could imagine: family man, successful, church going, overtly religious. I bought all of it.

What I didn't see, was that Mr. Klos, was going around to people that HE KNEW and that TRUSTED HIM, and he was borrowing money from them under the guise, as I learned later, that he had a great trader in his back pocket and if they would give their money to him, he would give it to the trader and that trader would then earn everyone lots of money. None of what he was telling people was true.

I was in training and in no position to be earning anyone any money trading the financial markets. I had not yet acquired the skills necessary for consistent success trading the financial markets AND I was STILL struggling with my health. When I finally realized what was really going on, which was that Mr. Klos was doing nothing more than running a Ponzi Scheme, it was too late. The circumstances under which I learned the truth was what led to my conviction.

In the end, this man I trusted put me in a position where I was told I had to sign a loan document with him or he was going to stop his financial support. At the time I was confronted with this reality I was very sick and consequently, very vulnerable. Without his support at that time I would not have been able to survive. I had no one else to turn to.

I signed my name to a loan document which involved someone who was a victim of the financial crime being perpetrated by Mr. Klos. The eventual consequence of signing that loan document was a charge of securities fraud. I had never been in trouble with the law before and knew nothing about how the legal system worked. I had no money and could not afford an attorney, so, I got a public defender. Since I had no experience in the legal system I didn't know what having a public defender meant. I learned very quickly that it meant I was screwed.

While the loan document I signed was signed under duress, that didn't matter, according to my attorney. So, I wound up having to make an incredibly difficult decision: go to court and defend myself with a public defender for an attorney that I had absolute zero confidence in and who clearly had no confidence in himself, or accept a plea agreement in which I accepted a guilty plea to a charge of securities fraud. Given my health status, I didn't believe I could risk being able to survive prison; and the plea agreement

involved a sentencing recommendation of 1 year in work release, which based on research, there was a greater possibility of my physical survival given my health condition, and just from the standpoint of personal principle the plea agreement was also an Alford Plea, which allowed me to at least acknowledge on paper that I believed I was innocent but didn't believe I could prove that at trial. And my primary reason for the belief that I couldn't prove my innocence at trial, was my attorney.

All that said, I still carry a sense of responsibility for what happened because I feel I should have seen what was going on long before it ever got to the point that it did. The reality behind that statement is that if I had seen things for what they were, I wouldn't be alive today. So, I really was in a kind of no win situation, which probably at the very least, partially contributed to why I didn't see things as they really were.

So, all that being said, when I accepted the plea agreement, and went before the sentencing judge, the agreement was denied. The judge demanded that I serve some time in jail. So, I spent 60 days in the King County Jail followed by 6 months in Work Release and have the additional responsibility of making financial restitution to the person connected with the loan document I signed.

Having a criminal record is abhorrent to me. I have rarely been embarrassed about anything in my life; but this..... having a criminal record is embarrassing to me. It is beyond that. It is abhorrent to me. That is why one of my primary motivations behind achieving some measure of success in my life, and why I'm looking to obtain my life insurance license, is to try and clear my name and clear my record.

Even more important to me than clearing my name and my record is doing the right thing when it comes to the rest of the victims of the financial crime with which I am associated. I believe that those people MUST be made whole financially. I still can't help but feel that if I had seen this disaster with Mr. Klos coming, that none of those people would have ever been hurt.

It is because of those people that I was able to finally find the path to be able to maintain my good health through the tremendous health challenges I have had to face for over 25 years. It is because of those people that I was able to reach a point where I at least have a shot at building something of a life. And it is because of those people that I am alive today.

I can't just go on and live my life like none of those things are true. I can't just go on and live my life pretending that I have a shot at a life now and I don't owe anyone anything for that shot. There are 25 to 30 people out there that I have never even met, that I wouldn't recognize if they walked up to me and introduced themselves..... 25 to 30 people that got badly hurt financially while I was being blessed with survival and the possibility for me to have the life I've never had.

The first step in having any hope of clearing my name and my record -- through the process of an appeal to expunge my record -- is make the financial restitution ordered by the court. Completing that starts a 10 year clock ticking to the date that would allow me to make an appeal to expunge my record.

My path to being able to achieve that goal starts with being able to earn a substantial income, which means that I have to work for myself. Given my age and skill set, it is simply not possible for me to earn the kind of money that I have to earn, to even begin to make things right for all those people -- much less just pay the restitution I must pay -- working for someone else. The first person that I'm legally required to make whole through my court ordered restitution -- my Legal Financial Obligation or LFO --, the person whose loan document I signed that resulted in my being charged with securities fraud, involves a

dollar amount that is equivalent to a mortgage. The balance at present is \$277,545.25, and is accumulating interest.

Given the high level of medical expenses I incur monthly to maintain my health, combined with my low income at present, I can only afford to make \$25.00 a month payments on my LFO. I will never be able to repay that LFO at that rate. I have to make an income great enough to make monthly payments of at least a few thousand dollars a month in order to have any hope of liquidating that LFO in my lifetime. Even if I could make payments on my LFO equivalent to what my take home pay is now I wouldn't be able to liquidate my LFO in my lifetime. And that says nothing of meeting the everyday expenses that I've got just to maintain my health and my life.

I must work for myself in some capacity that gives me the opportunity to earn at a high level to have any hope of at least making things right for that one person I'm connected to as a result of my conviction. The world of insurance is the best opportunity for my situation.

Because the company that I will be working for transacts all their business over the phone and online, this means that I will no longer have to put the stress on my body of traveling back and forth to work everyday. The job is one in which I will be classified as an Independent Contractor, which means I'm working for myself. And the income potential is there to meet my goals that I've previously stated above. It is the best shot that I have at doing what I must do to make things right.

I fully understand the challenge that faces the OIC in granting me an insurance license since I have felony conviction on my record. I hope that the OIC will give fair consideration to my application and honestly consider all the circumstances involving my case and my history both before my conviction and after. Please consider the following:

1. Until this conviction on my record occurred, I had never been in trouble with the law before. I hadn't even had a speeding ticket in over 10 years. I have NEVER before in my past ever exhibited any behavior resembling criminal behavior. It just isn't me. This blot on my record is a one time thing and occurred under extraordinary circumstances magnified by an ongoing health crisis. The conviction was a one time thing and will always be a one time thing in my life.
2. I have done everything possible to do whatever I can to make payments on my LFO even if they have been miniscule payments.
3. I have been gainfully employed since my release from Work Release in November, 2012. I had a period of time from late July 2013 until January 2014 where I found it difficult to find a professional home. But once I found my current employer, I've stayed put for 3 ½ years. In most of the positions that I've been at longer term, there has been no issue in hiring me. Once people have met me and interacted with me, they know that I am honest, trustworthy, and operate from a place of high integrity and they know that is important to me.
4. I have a company that is ready, willing, and able to hire me as a life insurance agent if you will grant me my license. Elly Weatherby at LifeTel Financial in Ontario, CA (<http://www.lifetelinsure.com/>) knows of my record, knows of the circumstances involved, is comfortable taking me on as an agent, and will gladly stand by me.
5. I have been licensed to sell insurance (health) in Washington State before and during that previous time of licensure I operated with a high level of integrity and always maintained my license in good standing.

I reached out to the OIC shortly after my release from Work Release to inquire about getting my life insurance license. At that time, I was told that it was possible to acquire my license even though I had a criminal record but that it would be easier to do so if I already had a company that was willing to hire me.

At that time I did have a company that was willing to hire me -- and they also knew of the circumstances around my conviction -- but I had to decline to move forward with them because there was no way to work within their system if I didn't have a car and I didn't own a car at that time.

Well, I still don't own a car, but with LifeTel I don't have to. I can work from home and earn a good income and provide for myself. And LifeTel is willing to be my advocate in getting my life insurance license. As I previously stated, they know my situation, and they are comfortable with it and comfortable taking me on as an agent.

Lastly, I come before the OIC asking for nothing more than for the OIC to honestly examine all the circumstances involving my record and my life. I'm a good person to whom a very bad thing happened. I've never been in trouble with the law. My record and the circumstances surrounding it were a one time thing and will never be repeated. If I had it to do over again, I would choose death before allowing myself and my integrity to be compromised in the way that has been through my involvement with Stephen Klos.

From the beginning of the horrible circumstances that led to my accepting a plea agreement to the present, I have done everything possible to do the right thing, in the right way. I have maintained employment so that I might one day have a shot at rebuilding my life and doing the right thing for those people that got hurt because of my involvement with Stephen Klos. I have stood up and accepted responsibility for my part in something of which I never had any intention of being a part. My intention was to learn a legitimate skill so I could build a life for myself. And the only thing that I could do at a certain point was just be accountable, which I have been and continue to be, and do the best that I can to do the most that I can to make things right. Being granted a life insurance license is a first step in a long road of recovery. I'm asking for a second chance with the granting of my life insurance license. I trust you will believe that I am deserving of that second chance.

Thank you for your consideration of this statement.

Most Sincerely,

Robert Justice

Cell: 512.363.3107

Email: rjustice888@gmail.com

August 10, 2017

Washington State Office of the Insurance Commissioner
5000 Capitol Blvd S.E.
Olympia, WA 98512
(800) 562-6900

RE: License Application for Robert Justice

To Whom It May Concern:

I am writing today on behalf of Robert Justice. I have been speaking with Robert at length recently and feel he would make a very strong addition to our sales team. If he could become licensed, I would like to offer him a position with us. However, it is my understanding that his application for licensure has recently been denied. Robert has shared with me in great detail his situation and having worked very, very closely with our state insurance department here in California myself, I understand your initial decision. That said, I told Robert that he may in fact benefit greatly by going through your appeal process and by which may be able to show you more than just what was included in his license application. I hope you'll see what I believe I see in Robert and perhaps you'll afford him the opportunity to get his insurance license. Therefore, this letter is merely very humbly submitted again on behalf of Robert as both a personal reference and also to let you know that if he is able to get his license my company, LifeTel, will bring him aboard, get him appointed and train and monitor him and his business closely.

Thank you for your review and consideration of my comments and please don't hesitate to contact me directly if I can be of any assistance or provide you any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Elly Weatherby". The signature is fluid and cursive, with a long, sweeping tail that extends downwards and to the right.

Elly Weatherby
LifeTel Financial & Insurance Services, LLC
(909) 786-2514
e.weatherby@lifetelweb.com
CA Corp. License 0K56565
www.LifeTelInsure.com

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KING COUNTY
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SUMMONS ISSUED
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SUPERIOR COURT OF WASHINGTON FOR KING COUNTY

THE STATE OF WASHINGTON,

Plaintiff,

v.

STEPHEN J. KLOS, and
ROBERT A. JUSTICE
and each of them,

Defendants.

No. 11-C-02127-7 SEA
11-C-02128-5 SEA ✓

INFORMATION

COUNT I

I, Daniel T. Satterberg, Prosecuting Attorney for King County in the name and by the authority of the State of Washington, do accuse STEPHEN J. KLOS of the crime of **Securities Fraud**, committed as follows:

That the defendant STEPHEN J. KLOS in King County, Washington, on or about March 16, 2007, in connection with the offer and sale and purchase of a security, to-wit: an investment contract and promissory note, did willfully, directly and indirectly: (1) employ a device, scheme and artifice to defraud; and (2) make untrue statements of material facts and omit to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and (3) engage in acts, practices, and a course of business which did and would operate as a fraud and deceit upon Naomi Autic;

Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State of Washington.

COUNT II

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN J. KLOS of the crime of **Securities Fraud**, a crime of the same or similar character and based on the same conduct as another crime charged herein, which crimes were part of a common scheme or plan and which crimes were so closely connected in respect to time, place and occasion that it would be difficult to separate proof of one charge from proof of the other, committed as follows:

INFORMATION - 1

Daniel T. Satterberg, Prosecuting Attorney
W554 King County Courthouse
516 Third Avenue
Seattle, Washington 98104
(206) 296-8000, FAX (206) 296-0955

1 That the defendant STEPHEN J. KLOS in King County, Washington, on or about
2 December 16, 2008, in connection with the offer and sale and purchase of a security, to-wit: an
3 investment contract and promissory note, did willfully, directly and indirectly: (1) employ a
4 device, scheme and artifice to defraud; and (2) make untrue statements of material facts and omit
to state material facts necessary in order to make statements made, in light of the circumstances
under which they were made, not misleading; and (3) engage in acts, practices, and a course of
business which did and would operate as a fraud and deceit upon Naomi Autle;

5 Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
6 of Washington.

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COUNT III

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN
J. KLOS of the crime of **Securities Fraud**, a crime of the same or similar character and based on
the same conduct as another crime charged herein, which crimes were part of a common scheme
or plan and which crimes were so closely connected in respect to time, place and occasion that it
would be difficult to separate proof of one charge from proof of the other, committed as follows:

That the defendant STEPHEN J. KLOS in King County, Washington, on or about
February 25, 2009, in connection with the offer and sale and purchase of a security, to-wit: an
investment contract and promissory note, did willfully, directly and indirectly: (1) employ a
device, scheme and artifice to defraud; and (2) make untrue statements of material facts and omit
to state material facts necessary in order to make statements made, in light of the circumstances
under which they were made, not misleading; and (3) engage in acts, practices, and a course of
business which did and would operate as a fraud and deceit upon Naomi Autle;

Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
of Washington.

COUNT IV

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN
J. KLOS of the crime of **Securities Fraud**, a crime of the same or similar character and based on
the same conduct as another crime charged herein, which crimes were part of a common scheme
or plan and which crimes were so closely connected in respect to time, place and occasion that it
would be difficult to separate proof of one charge from proof of the other, committed as follows:

That the defendant STEPHEN J. KLOS in King County, Washington, on or about March
17, 2009, in connection with the offer and sale and purchase of a security, to-wit: an investment
contract and promissory note, did willfully, directly and indirectly: (1) employ a device, scheme
and artifice to defraud; and (2) make untrue statements of material facts and omit to state

1 material facts necessary in order to make statements made, in light of the circumstances under
2 which they were made, not misleading; and (3) engage in acts, practices, and a course of
business which did and would operate as a fraud and deceit upon Naomi Autle;

3 Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
4 of Washington.

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COUNT V

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN
J. KLOS of the crime of **Securities Fraud**, a crime of the same or similar character and based on
the same conduct as another crime charged herein, which crimes were part of a common scheme
or plan and which crimes were so closely connected in respect to time, place and occasion that it
would be difficult to separate proof of one charge from proof of the other, committed as follows:

That the defendant STEPHEN J. KLOS in King County, Washington, on or about April
1, 2009, in connection with the offer and sale and purchase of a security, to-wit: an investment
contract and promissory note, did willfully, directly and indirectly: (1) employ a device, scheme
and artifice to defraud; and (2) make untrue statements of material facts and omit to state
material facts necessary in order to make statements made, in light of the circumstances under
which they were made, not misleading; and (3) engage in acts, practices, and a course of
business which did and would operate as a fraud and deceit upon Naomi Autle;

Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
of Washington.

COUNT VI

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN
J. KLOS of the crime of **Securities Fraud**, a crime of the same or similar character and based on
the same conduct as another crime charged herein, which crimes were part of a common scheme
or plan and which crimes were so closely connected in respect to time, place and occasion that it
would be difficult to separate proof of one charge from proof of the other, committed as follows:

That the defendant STEPHEN J. KLOS in King County, Washington, on or about April
10, 2009, in connection with the offer and sale and purchase of a security, to-wit: an investment
contract and promissory note, did willfully, directly and indirectly: (1) employ a device, scheme
and artifice to defraud; and (2) make untrue statements of material facts and omit to state
material facts necessary in order to make statements made, in light of the circumstances under
which they were made, not misleading; and (3) engage in acts, practices, and a course of
business which did and would operate as a fraud and deceit upon Naomi Autle;

Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
of Washington.

Daniel T. Satterberg, Prosecuting Attorney
WSS4 King County Courthouse
516 Third Avenue
Seattle, Washington 98104
(206) 296-9000, FAX (206) 296-0955

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COUNT VII

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN J. KLOS of the crime of **Securities Fraud**, a crime of the same or similar character and based on the same conduct as another crime charged herein, which crimes were part of a common scheme or plan and which crimes were so closely connected in respect to time, place and occasion that it would be difficult to separate proof of one charge from proof of the other, committed as follows:

That the defendant STEPHEN J. KLOS in King County, Washington, on or about January 12, 2008, in connection with the offer and sale and purchase of a security, to-wit: an investment contract and promissory note, did willfully, directly and indirectly: (1) employ a device, scheme and artifice to defraud; and (2) make untrue statements of material facts and omit to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and (3) engage in acts, practices, and a course of business which did and would operate as a fraud and deceit upon Grace Chumley;

Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State of Washington.

COUNT VIII

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN J. KLOS of the crime of **Securities Fraud**, a crime of the same or similar character and based on the same conduct as another crime charged herein, which crimes were part of a common scheme or plan and which crimes were so closely connected in respect to time, place and occasion that it would be difficult to separate proof of one charge from proof of the other, committed as follows:

That the defendant STEPHEN J. KLOS in King County, Washington, on or about April 6, 2006, in connection with the offer and sale and purchase of a security, to-wit: an investment contract and promissory note, did willfully, directly and indirectly: (1) employ a device, scheme and artifice to defraud; and (2) make untrue statements of material facts and omit to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and (3) engage in acts, practices, and a course of business which did and would operate as a fraud and deceit upon Marilyn Dow;

Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State of Washington.

COUNT IX

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN J. KLOS and ROBERT A. JUSTICE, and each of them, of the crime of **Securities Fraud**, a crime of the same or similar character and based on the same conduct as another crime charged herein, which crimes were part of a common scheme or plan and which crimes were so closely connected in respect to time, place and occasion that it would be difficult to separate proof of one charge from proof of the other, committed as follows:

1 That the defendants STEPHEN J. KLOS and ROBERT A. JUSTICE, and each of them,
2 in King County, Washington, on or about May 16, 2006, in connection with the offer and sale
3 and purchase of a security, to-wit: an investment contract and promissory note, did willfully,
4 directly and indirectly: (1) employ a device, scheme and artifice to defraud; and (2) make untrue
5 statements of material facts and omit to state material facts necessary in order to make statements
6 made, in light of the circumstances under which they were made, not misleading; and (3) engage
7 in acts, practices, and a course of business which did and would operate as a fraud and deceit
8 upon Suh Mei Hsing;

9 Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
10 of Washington.

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COUNT X

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN
J. KLOS and ROBERT A. JUSTICE, and each of them, of the crime of **Securities Fraud**, a
crime of the same or similar character and based on the same conduct as another crime charged
herein, which crimes were part of a common scheme or plan and which crimes were so closely
connected in respect to time, place and occasion that it would be difficult to separate proof of one
charge from proof of the other, committed as follows:

That the defendants STEPHEN J. KLOS and ROBERT A. JUSTICE, and each of them,
in King County, Washington, on or about April 12, 2008, in connection with the offer and sale
and purchase of a security, to-wit: an investment contract and promissory note, did willfully,
directly and indirectly: (1) employ a device, scheme and artifice to defraud; and (2) make untrue
statements of material facts and omit to state material facts necessary in order to make statements
made, in light of the circumstances under which they were made, not misleading; and (3) engage
in acts, practices, and a course of business which did and would operate as a fraud and deceit
upon Suh Mei Hsing;

Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
of Washington.

COUNT XI

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN
J. KLOS and ROBERT A. JUSTICE, and each of them, of the crime of **Securities Fraud**, a
crime of the same or similar character and based on the same conduct as another crime charged
herein, which crimes were part of a common scheme or plan and which crimes were so closely
connected in respect to time, place and occasion that it would be difficult to separate proof of one
charge from proof of the other, committed as follows:

That the defendants STEPHEN J. KLOS and ROBERT A. JUSTICE, and each of them,
in King County, Washington, on or about July 17, 2008, in connection with the offer and sale
and purchase of a security, to-wit: an investment contract and promissory note, did willfully,
directly and indirectly: (1) employ a device, scheme and artifice to defraud; and (2) make untrue

1 statements of material facts and omit to state material facts necessary in order to make statements
2 made, in light of the circumstances under which they were made, not misleading; and (3) engage
3 in acts, practices, and a course of business which did and would operate as a fraud and deceit
upon Suh Mei Hsing;

4 Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
of Washington.

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COUNT XII

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN
J. KLOS and ROBERT A. JUSTICE, and each of them, of the crime of **Securities Fraud**, a
crime of the same or similar character and based on the same conduct as another crime charged
herein, which crimes were part of a common scheme or plan and which crimes were so closely
connected in respect to time, place and occasion that it would be difficult to separate proof of one
charge from proof of the other, committed as follows:

That the defendants STEPHEN J. KLOS and ROBERT A. JUSTICE, and each of them,
in King County, Washington, on or about July 18, 2008, in connection with the offer and sale
and purchase of a security, to-wit: an investment contract and promissory note, did willfully,
directly and indirectly: (1) employ a device, scheme and artifice to defraud; and (2) make untrue
statements of material facts and omit to state material facts necessary in order to make statements
made, in light of the circumstances under which they were made, not misleading; and (3) engage
in acts, practices, and a course of business which did and would operate as a fraud and deceit
upon Suh Mei Hsing;

Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
of Washington.

COUNT XIII

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN
J. KLOS and ROBERT A. JUSTICE, and each of them, of the crime of **Securities Fraud**, a
crime of the same or similar character and based on the same conduct as another crime charged
herein, which crimes were part of a common scheme or plan and which crimes were so closely
connected in respect to time, place and occasion that it would be difficult to separate proof of one
charge from proof of the other, committed as follows:

That the defendants STEPHEN J. KLOS and ROBERT A. JUSTICE, and each of them,
in King County, Washington, on or about September 18, 2008, in connection with the offer and
sale and purchase of a security, to-wit: an investment contract and promissory note, did
willfully, directly and indirectly: (1) employ a device, scheme and artifice to defraud; and (2)
make untrue statements of material facts and omit to state material facts necessary in order to

Daniel T. Satterberg, Prosecuting Attorney
W554 King County Courthouse
516 Third Avenue
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1 make statements made, in light of the circumstances under which they were made, not
2 misleading; and (3) engage in acts, practices, and a course of business which did and would
operate as a fraud and deceit upon Suh Mei Hsing;

3 Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
4 of Washington.

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COUNT XIV

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN
J. KLOS of the crime of **Securities Fraud**, a crime of the same or similar character and based on
the same conduct as another crime charged herein, which crimes were part of a common scheme
or plan and which crimes were so closely connected in respect to time, place and occasion that it
would be difficult to separate proof of one charge from proof of the other, committed as follows:

That the defendant STEPHEN J. KLOS in King County, Washington, on or about May
19, 2006, in connection with the offer and sale and purchase of a security, to-wit: an investment
contract and promissory note, did willfully, directly and indirectly: (1) employ a device, scheme
and artifice to defraud; and (2) make untrue statements of material facts and omit to state
material facts necessary in order to make statements made, in light of the circumstances under
which they were made, not misleading; and (3) engage in acts, practices, and a course of
business which did and would operate as a fraud and deceit upon Mark L. and Jane L. Meadows;

Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
of Washington.

COUNT XV

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN
J. KLOS of the crime of **Securities Fraud**, a crime of the same or similar character and based on
the same conduct as another crime charged herein, which crimes were part of a common scheme
or plan and which crimes were so closely connected in respect to time, place and occasion that it
would be difficult to separate proof of one charge from proof of the other, committed as follows:

That the defendant STEPHEN J. KLOS in King County, Washington, on or about May
26, 2006, in connection with the offer and sale and purchase of a security, to-wit: an investment
contract and promissory note, did willfully, directly and indirectly: (1) employ a device, scheme
and artifice to defraud; and (2) make untrue statements of material facts and omit to state
material facts necessary in order to make statements made, in light of the circumstances under
which they were made, not misleading; and (3) engage in acts, practices, and a course of
business which did and would operate as a fraud and deceit upon Marion L. Green;

Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
of Washington.

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COUNT XVI

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN J. KLOS of the crime of **Securities Fraud**, a crime of the same or similar character and based on the same conduct as another crime charged herein, which crimes were part of a common scheme or plan and which crimes were so closely connected in respect to time, place and occasion that it would be difficult to separate proof of one charge from proof of the other, committed as follows:

That the defendant STEPHEN J. KLOS in King County, Washington, on or about April 17, 2007, in connection with the offer and sale and purchase of a security, to-wit: an investment contract and promissory note, did willfully, directly and indirectly: (1) employ a device, scheme and artifice to defraud; and (2) make untrue statements of material facts and omit to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and (3) engage in acts, practices, and a course of business which did and would operate as a fraud and deceit upon Marion L. Green and Jane L. Meadows;

Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State of Washington.

COUNT XVII

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN J. KLOS of the crime of **Securities Fraud**, a crime of the same or similar character and based on the same conduct as another crime charged herein, which crimes were part of a common scheme or plan and which crimes were so closely connected in respect to time, place and occasion that it would be difficult to separate proof of one charge from proof of the other, committed as follows:

That the defendant STEPHEN J. KLOS in King County, Washington, on or about May 12, 2006, in connection with the offer and sale and purchase of a security, to-wit: an investment contract and promissory note, did willfully, directly and indirectly: (1) employ a device, scheme and artifice to defraud; and (2) make untrue statements of material facts and omit to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and (3) engage in acts, practices, and a course of business which did and would operate as a fraud and deceit upon Clinton and Luella Snow;

Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State of Washington.

COUNT XVIII

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN J. KLOS of the crime of **Securities Fraud**, a crime of the same or similar character and based on the same conduct as another crime charged herein, which crimes were part of a common scheme or plan and which crimes were so closely connected in respect to time, place and occasion that it would be difficult to separate proof of one charge from proof of the other, committed as follows:

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1 That the defendant STEPHEN J. KLOS in King County, Washington, on or about May
2 16, 2006, in connection with the offer and sale and purchase of a security, to-wit: an investment
3 contract and promissory note, did willfully, directly and indirectly: (1) employ a device, scheme
4 and artifice to defraud; and (2) make untrue statements of material facts and omit to state
5 material facts necessary in order to make statements made, in light of the circumstances under
6 which they were made, not misleading; and (3) engage in acts, practices, and a course of
7 business which did and would operate as a fraud and deceit upon Clinton and Luella Snow;

8 Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
9 of Washington.

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COUNT XIX

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN
J. KLOS of the crime of Securities Fraud, a crime of the same or similar character and based on
the same conduct as another crime charged herein, which crimes were part of a common scheme
or plan and which crimes were so closely connected in respect to time, place and occasion that it
would be difficult to separate proof of one charge from proof of the other, committed as follows:

That the defendant STEPHEN J. KLOS in King County, Washington, on or about July 5,
2007, in connection with the offer and sale and purchase of a security, to-wit: an investment
contract and promissory note, did willfully, directly and indirectly: (1) employ a device, scheme
and artifice to defraud; and (2) make untrue statements of material facts and omit to state
material facts necessary in order to make statements made, in light of the circumstances under
which they were made, not misleading; and (3) engage in acts, practices, and a course of
business which did and would operate as a fraud and deceit upon Clinton and Luella Snow;

Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
of Washington.

COUNT XX

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN
J. KLOS of the crime of Securities Fraud, a crime of the same or similar character and based on
the same conduct as another crime charged herein, which crimes were part of a common scheme
or plan and which crimes were so closely connected in respect to time, place and occasion that it
would be difficult to separate proof of one charge from proof of the other, committed as follows:

That the defendant STEPHEN J. KLOS in King County, Washington, on or about
January 15, 2008, in connection with the offer and sale and purchase of a security, to-wit: an
investment contract and promissory note, did willfully, directly and indirectly: (1) employ a
device, scheme and artifice to defraud; and (2) make untrue statements of material facts and omit

1 to state material facts necessary in order to make statements made, in light of the circumstances
2 under which they were made, not misleading; and (3) engage in acts, practices, and a course of
3 business which did and would operate as a fraud and deceit upon Clinton and Luella Snow;

4 Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
5 of Washington.

6 COUNT XXI

7 And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN
8 J. KLOS of the crime of **Securities Fraud**, a crime of the same or similar character and based on
9 the same conduct as another crime charged herein, which crimes were part of a common scheme
10 or plan and which crimes were so closely connected in respect to time, place and occasion that it
11 would be difficult to separate proof of one charge from proof of the other, committed as follows:

12 That the defendant STEPHEN J. KLOS in King County, Washington, on or about
13 February 19, 2008, in connection with the offer and sale and purchase of a security, to-wit: an
14 investment contract and promissory note, did willfully, directly and indirectly: (1) employ a
15 device, scheme and artifice to defraud; and (2) make untrue statements of material facts and omit
16 to state material facts necessary in order to make statements made, in light of the circumstances
17 under which they were made, not misleading; and (3) engage in acts, practices, and a course of
18 business which did and would operate as a fraud and deceit upon Clinton and Luella Snow;

19 Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
20 of Washington.

21 COUNT XXII

22 And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN
23 J. KLOS of the crime of **Securities Fraud**, a crime of the same or similar character and based on
24 the same conduct as another crime charged herein, which crimes were part of a common scheme
or plan and which crimes were so closely connected in respect to time, place and occasion that it
would be difficult to separate proof of one charge from proof of the other, committed as follows:

That the defendant STEPHEN J. KLOS in King County, Washington, on or about March
21, 2008, in connection with the offer and sale and purchase of a security, to-wit: an investment
contract and promissory note, did willfully, directly and indirectly: (1) employ a device, scheme
and artifice to defraud; and (2) make untrue statements of material facts and omit to state
material facts necessary in order to make statements made, in light of the circumstances under
which they were made, not misleading; and (3) engage in acts, practices, and a course of
business which did and would operate as a fraud and deceit upon Clinton and Luella Snow;

Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
of Washington.

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COUNT XXIII

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN J. KLOS of the crime of **Securities Fraud**, a crime of the same or similar character and based on the same conduct as another crime charged herein, which crimes were part of a common scheme or plan and which crimes were so closely connected in respect to time, place and occasion that it would be difficult to separate proof of one charge from proof of the other, committed as follows:

That the defendant STEPHEN J. KLOS in King County, Washington, on or about June 5, 2008, in connection with the offer and sale and purchase of a security, to-wit: an investment contract and promissory note, did willfully, directly and indirectly: (1) employ a device, scheme and artifice to defraud; and (2) make untrue statements of material facts and omit to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and (3) engage in acts, practices, and a course of business which did and would operate as a fraud and deceit upon Clinton and Luella Snow;

Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State of Washington.

COUNT XXIV

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN J. KLOS of the crime of **Securities Fraud**, a crime of the same or similar character and based on the same conduct as another crime charged herein, which crimes were part of a common scheme or plan and which crimes were so closely connected in respect to time, place and occasion that it would be difficult to separate proof of one charge from proof of the other, committed as follows:

That the defendant STEPHEN J. KLOS in King County, Washington, on or about June 20, 2008, in connection with the offer and sale and purchase of a security, to-wit: an investment contract and promissory note, did willfully, directly and indirectly: (1) employ a device, scheme and artifice to defraud; and (2) make untrue statements of material facts and omit to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and (3) engage in acts, practices, and a course of business which did and would operate as a fraud and deceit upon Clinton and Luella Snow;

Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State of Washington.

COUNT XXV

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN J. KLOS of the crime of **Securities Fraud**, a crime of the same or similar character and based on the same conduct as another crime charged herein, which crimes were part of a common scheme or plan and which crimes were so closely connected in respect to time, place and occasion that it would be difficult to separate proof of one charge from proof of the other, committed as follows:

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1 That the defendant STEPHEN J. KLOS in King County, Washington, on or about August
2 1, 2008, in connection with the offer and sale and purchase of a security, to-wit: an investment
3 contract and promissory note, did willfully, directly and indirectly: (1) employ a device, scheme
4 and artifice to defraud; and (2) make untrue statements of material facts and omit to state
5 material facts necessary in order to make statements made, in light of the circumstances under
6 which they were made, not misleading; and (3) engage in acts, practices, and a course of
7 business which did and would operate as a fraud and deceit upon Clinton and Luella Snow;

8 Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
9 of Washington.

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COUNT XXVI

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN
J. KLOS of the crime of **Securities Fraud**, a crime of the same or similar character and based on
the same conduct as another crime charged herein, which crimes were part of a common scheme
or plan and which crimes were so closely connected in respect to time, place and occasion that it
would be difficult to separate proof of one charge from proof of the other, committed as follows:

That the defendant STEPHEN J. KLOS in King County, Washington, on or about
October 24, 2008, in connection with the offer and sale and purchase of a security, to-wit: an
investment contract and promissory note, did willfully, directly and indirectly: (1) employ a
device, scheme and artifice to defraud; and (2) make untrue statements of material facts and omit
to state material facts necessary in order to make statements made, in light of the circumstances
under which they were made, not misleading; and (3) engage in acts, practices, and a course of
business which did and would operate as a fraud and deceit upon Clinton and Luella Snow;

Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
of Washington.

COUNT XXVII

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN
J. KLOS of the crime of **Securities Fraud**, a crime of the same or similar character and based on
the same conduct as another crime charged herein, which crimes were part of a common scheme
or plan and which crimes were so closely connected in respect to time, place and occasion that it
would be difficult to separate proof of one charge from proof of the other, committed as follows:

That the defendant STEPHEN J. KLOS in King County, Washington, on or about
November 24, 2008, in connection with the offer and sale and purchase of a security, to-wit: an
investment contract and promissory note, did willfully, directly and indirectly: (1) employ a
device, scheme and artifice to defraud; and (2) make untrue statements of material facts and omit

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1 to state material facts necessary in order to make statements made, in light of the circumstances
2 under which they were made, not misleading; and (3) engage in acts, practices, and a course of
3 business which did and would operate as a fraud and deceit upon Clinton and Luella Snow;

4 Contrary to RCW 21.20.010 and 21.20.400, and against the peace and dignity of the State
5 of Washington.

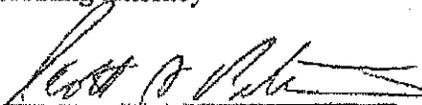
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COUNT XXVIII

And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse STEPHEN
J. KLOS of the crime of **Attempted Securities Fraud**, a crime of the same or similar character
and based on the same conduct as another crime charged herein, which crimes were part of a
common scheme or plan and which crimes were so closely connected in respect to time, place
and occasion that it would be difficult to separate proof of one charge from proof of the other,
committed as follows:

That the defendant STEPHEN J. KLOS in King County, Washington, on or about June
27, 2007, in connection with the offer and sale and purchase of a security, to-wit: an investment
contract and promissory note, did attempt to willfully, directly and indirectly: (1) employ a
device, scheme and artifice to defraud; and (2) make untrue statements of material facts and omit
to state material facts necessary in order to make statements made, in light of the circumstances
under which they were made, not misleading; and (3) engage in acts, practices, and a course of
business which did and would operate as a fraud and deceit upon Martin Paup; attempt as used in
the above charge means that the defendant committed an act which was a substantial step
towards the commission of the above described crime with the intent to commit that crime;

Contrary to RCW 9A.28.020, RCW 21.20.010 and 21.20.400, and against the peace and
dignity of the State of Washington.

DANIEL T. SATTERBERG
Prosecuting Attorney

By: 
Scott A. Peterson, WSBA #17275
Senior Deputy Prosecuting Attorney

Daniel T. Satterberg, Prosecuting Attorney
W554 King County Courthouse
516 Third Avenue
Seattle, Washington 98104
(206) 296-9000, FAX (206) 296-0955

1 CAUSE NO. 11-C-02127-7 SEA
2 CAUSE NO. 11-C-02128-5 SEA

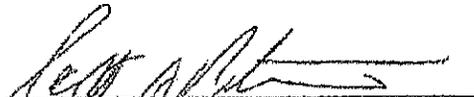
3 PROSECUTING ATTORNEY CASE SUMMARY AND REQUEST FOR BAIL AND/OR
4 CONDITIONS OF RELEASE

5 The State incorporates by reference the Certification for Determination of Probable
6 Cause prepared by Tyler Lacey of the Washington State Department of Financial Institutions
7 Securities Division incident number 10-0000.

8 REQUEST FOR BAIL

9 Pursuant to CrR 2.2(b), the State requests that the Court issue a summons directing the
10 defendants to appear in court. As of April 2, 2011, the defendants have no known criminal
11 convictions.

12 Signed this 5th day of April, 2011.

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14 Scott A. Peterson, WSBA #17275

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71-C-02127-7 SEA
NO. 11-C-02128-5 SEA

CERTIFICATION OF PROBABLE CAUSE

I, Tyler R. Letey, am a Staff Attorney with the Securities Division of the Department of Financial Institution of the State of Washington. I have been employed as an attorney with the Securities Division for 10 years.

I was responsible for the investigation of Stephen J. Klos ("Klos") discussed below, which was conducted by the Enforcement Staff of the Securities Division. Based on the information I learned in the course of the investigation, I have concluded that there is probable cause to believe that Klos has committed the crimes of securities fraud and theft in the first degree while in King County, Washington. The results of the Securities Division's investigation are discussed below.

Introduction

From February 2004 to September 2009 Klos perpetrated a Ponzi scheme to defraud at least 23 families of \$3,500,000. During the last three years of his operation (April 2006 through April 2009) Klos raised a total of more than \$3,135,000 from a recently widowed women (Grace Chumley) and six elderly individuals.¹

As is typical in a Ponzi scheme, some of these 23 families got their investment back at the expense of others, mainly the last seven investors. This report focuses on victims from April 2006 forward, based upon the fact that many of the earlier victims received the return of their investment funds at the expense of these victims.

This is not the first time that Klos has run a Ponzi scheme while in King County, Washington. In, 1991, Klos was the subject of a United States Securities and Exchange Commission civil action for running a Ponzi scheme that raised in excess of \$3,000,000. He was previously registered as a securities salesperson in the State of Washington. We conclude that the conduct by Klos constitutes: (1) securities fraud under RCW 21.20.010, (2) sale of unregistered securities

¹ Naomi Antle, Marilyn Dow, Marion Green, Suh Mei Hsing, and Clinton and LuElla Snow

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1 under RCW 21.20.140, and (3) theft by deception under RCW 9A.56.020 based upon that fact
that:

- 2 1. Klos told his victims that he was going to invest their money when in reality he used
3 much of their money for his personal benefit, the benefit of his family and to pay back
other investors;
- 4 2. Klos failed to tell investors about his history of violating federal securities laws or the
civil judgments filed against him;
- 5 3. Klos failed to tell investors that the person, to whom he was purportedly going to give
their money to invest, was in debt to Klos and had not been earning the returns that Klos
6 promised; and
- 7 4. Klos grossly exaggerated his net worth when soliciting investors to provide them a sense
of security for the promissory notes that he provided them.

8 Synopsis

9 Despite a permanent injunction from the SEC, between February 2004 and September 2009, Klos
10 raised over \$3,500,000 through his companies Stephen Klos & Associates, Genesis, and Genesis
II. During this time frame, he used over \$940,000 for his personal benefit, over \$295,000 for the
11 benefit of his son, Stephen Klos III, and over \$2,300,000 to pay back to investors. From April
2006 to September 2009, Klos raised over \$3,100,000 from six elderly individuals and one
12 woman who was recently widowed. During that time frame, Klos used over \$635,000 for his
personal benefit, over \$240,000 for the benefit of his son and over \$1,900,000 to pay off prior
investors.

13 Klos's victims vary in age and sophistication, but the people most damaged by Klos have been a
number of elderly people that he met at his church. Based upon Klos's history, how he used the
14 victim's money, his relationship to the victims, and the age of the victims, the Securities Division
recommends that Klos be prosecuted for securities fraud and/or theft in the first degree.

15 Klos told most investors that he invested their money with Robert Justice ("Justice"), a Seattle,
16 Washington resident, who would invest their money in the stock market. Klos told these
investors that Justice had a proven track record of return at least 15% annual return through his
17 investing. Klos told other investors that he would personally invest their money in the stock
market. Investors were led to believe that Klos was a wealthy individual with real estate
18 holdings which would provide security for their investment. None of these statements are true.
Klos told investigators that Justice had provided those types of returns in the past, but had not for
19 years because of health problems. Additionally, Klos stated to investigators that the funds that he
gave to Justice were loans for living expenses and not funds to be invested. There is evidence
20 that Klos did make attempts at investing some investor money by trading in options, but the
trading activity was limited and ultimately Klos withdrew the funds and spent the money in a
21 similar fashion to other funds received from investors. Klos told investors that he owned
property on the Columbia River worth millions of dollars. Klos' ownership interest in that
22 property appears to be that of 1/3 owner and the value is far below what he told investors.

CERTIFICATION OF PROBABLE CAUSE - 2

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1 **Klos Background**

2 The United States Securities and Exchange Commission filed a complaint in Seattle, Washington
3 in September 1991 against Klos and two others for operating a Ponzi scheme that raised
4 approximately \$3,427,000 from investors. In its complaint, the SEC alleged that Klos sold
5 unregistered securities and violated the anti fraud provisions of federal securities laws. Klos
6 settled the matter in 1992 without admitting or denying the facts alleged by the SEC. Klos
7 consented to a Final Judgment of Permanent Injunction and Order of Disgorgement of
8 \$380,160.65. Klos was subsequently barred from associating with any broker, dealer, investment
9 advisor or investment company in May 1992. Klos had previously been licensed as a securities
10 salesperson the state of Washington from 1988 to 1989.

11 Klos was an active member of Mercer Island Covenant Church, where he found a number of his
12 victims. Klos has been involved with and established a number of companies that purchased
13 undeveloped rural properties in Washington. Klos represented to multiple victims that the real
14 property he owned was worth substantially more than what is shown in county assessor's records.
15 Additionally, Klos has been the subject of numerous civil judgments for unpaid debts as well a
16 settled lawsuit brought by investors Clinton and LuElla Snow and a lawsuit filed by investor Suh
17 Mei Hsing, victims who are described in detail in this report.

18 **Investments Offered**

19 Klos told early victims that their money would be invested in stocks and promissory notes
20 offered by AminoPath Labs, LLC of Portland, Oregon. Later investors, who are the focus of this
21 report, invested in Genesis and Genesis II. Klos told some investors he was going to invest their
22 money in the stock market or trading options through Genesis and Genesis II. Genesis and
23 Genesis II are unincorporated entities created by Klos. Based upon records obtained from the
24 search warrant executed on Klos' residence, Genesis and Genesis II were created to actively trade
25 options contracts. Other investors were told that their money was going to Robert Justice, who
26 would either trade stocks or options. Klos told investors that Justice was a licensed securities
27 trader and that Justice got to keep any profits above a certain percentage. Some investors
28 received promissory notes with interest rates promising an annual return ranging from 10% to
29 24%.

30 OptionXpress Accounts

31 Klos opened trading accounts in his own name at OptionXpress, an online options trading firm.
32 Robert Justice was not a signatory on these accounts. The accounts were active from September
33 2004 to May 2005, from May 2006 to September 2006 and from December 2006 to December
34 2008. An analysis of the trading activity from September 2004 to May 2005 (prior to time the
35 time frame in question) shows that Klos was not a prolific or successful trader. During this time
36 period Klos deposited over \$31,000 and lost over \$2,000 trading in options with those funds.

37 The account open from May 2006 to September 2006 had deposits of \$150,000 and trading
38 losses of over \$6,000. The account open in December 2006 had \$355,463.49 in deposits and

1 withdrawals of \$312,000 by February 2008. Although Klos made a profit during this time frame,
2 the increase in account balances came from dividends and interest earned on the money in
OptionXpress money market account; Klos's actual trading resulted in losses of over \$2,000.

3 Klos was not an active trader. Klos generally made large deposits into his trading account, but
4 then frequently withdrew the funds without purchasing any securities.

Robert Justice

5 Justice was contacted twice by DFI. In a telephone interview on July 25, 2007, Justice stated that
6 he had never heard of Genesis II and that he had borrowed money from Klos, whom he considers
a friend and used the money to trade in his own securities account. Justice also said that he still
owed money to Klos, but had not been making payments to him at the time of the interview.

7 Justice said that he does not know where Klos received the money that was loaned. On a second
8 telephone interview on December 1, 2008, Justice reiterated that he borrowed money from Klos
and does not know where Klos got the funds. Additionally, Justice sent a fax dated July 6, 2007
9 to DFI stating that to the best of his knowledge that there is no entity by the name of Genesis II.
10 Records from the search warrant executed at Klos' residence indicate that Justice and Klos
discussed Justice's response to DFI. Victim Hsing recently provided DFI with a Genesis II
11 promissory note signed by Klos and Justice. Hsing received a faxed copy of Justice's resume
from Klos prior to making one of her investments.

12 According to Justice's resume, he has Series 7, 63 and 65 securities licenses and makes stock
market trades for people under the business name Stargate Management. The resume also states:
13 "My clients have always seen solid results. My winning percentage doesn't interest them.
(Although my winning percentage is better than 70%. That means that 70% of the trades I make
14 are successful.) They are only concerned with one thing - does the check come every month.
And for the last 5 years it always has." Justice does not currently have any active securities
15 licenses. Justice did pass the Series 7, 63 and 65 examinations in 1999 but was only licensed
from April to June 1999 with FINRA. Justice also was licensed from April 1, 2008 to July 23,
16 2009 through the Chicago Board of Mercantile to work for Bright Trading, LLC, a commodities
trading firm. Justice was only licensed to trade his and/or Bright Trading, LLC funds during this
17 time. He was not licensed to invest client funds. Additionally, Justice has not been licensed by
the National Futures Association to trade commodities.

18 Justice was more involved and knew more about the investments offered by Klos than what he
19 told DFI based upon records discovered during the search warrant executed at Klos's house and
statements made by Mark Meadows. Justice has worked with Klos in soliciting investor funds.
20 Although Justice's direct interaction with investors appears to be limited based upon interviews
and records obtained, he helped Klos draft a script of what to tell a prospective set of investors
(Larry and Evelyn Howe) and met with them for dinner to discuss the opportunity. Additionally,
21 records from the search indicate that Justice had contact with earlier investors who are not the
focus of this report. Meadows said that Justice was pushing Klos to get more money from
22 investors. Klos then told Justice that when he does get more money that Justice would get part of

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1 the money and that part of the money would go towards Advanced Liquid Solutions, a new
2 company being promoted by Klos.

3 Statements by Klos to Investigators

4 On December 9, 2010 a search warrant was executed at Klos' residence on Mercer Island,
5 Washington. Klos was interviewed by investigators during the search. Klos stated that he used
6 the money that he received from investors for living expenses and that he does not think that that
7 is a problem. Klos said that, other than the Snows and Hsing, he did not tell investors how he
8 was going to use their money, just that he would pay them a 15% return on their investment.
9 Klos stated that he told the Snows and Hsing that he would invest their money with Justice. Klos
10 stated that he could not remember what he told Dow and stated that he told Meadows that he
11 would give him a 15% return on a promissory note but that they did not discuss Justice. Klos
12 said that he has been living on the loans that he has received and that he has also given some of
13 the money to his son, and to pay back others that have given him money. Although Klos
14 characterized the investments as loans and not securities, records from the search show that Klos
15 was aware fully aware that promissory notes are considered securities. Klos stated that he would
16 be able to pay the investors back with money from the sale of property on the Columbia River.
17 Yet, in April 2010, Klos stated in a seized emailed to Bill Batley that he was only a one-third
18 owner of the property and that it had no value beyond donating the land to the County.

11 Investors

12 Below is a table of recent investors broken down by investment period. Victims who invested
13 prior to April 2006 are included as a footnote.² The table shows the date range of their
14 investments as well as the amounts invested and received from Klos.

14 ²

15 <u>Early Investors</u>	<u>Investment Period</u>	<u>Invest. Amount</u>	<u>Repayment</u>
Allen, P Maxine	Jan. 14, 2005-June 7, 2007	\$175,090.95	\$188,250.00
Anderson (Kang), Linda	Apr. 2, 2004-May 18, 2009	\$71,000.00	\$193,000.00
16 Bilothe, John (Deceased)	Mar. 18, 2004-Apr. 18, 2006	\$72,687.35	
Braun, Sandra	Apr. 13, 2005-June 8, 2009		\$61,000.00
17 Camerer, Cassandra	Feb. 24, 2005-Aug. 4, 2008	\$16,000.00	\$13,523.20
Doomeweerd, Nina	Mar. 1, 2004-June 4, 2009	\$5,126.16	\$62,479.68
Exendine, Michael	Apr. 23, 2004-Aug. 29, 2008		\$207,000.00
18 Goodman, Marlene	May 16, 2005-May 18, 2009	\$329.56	\$101,769.69
Harvey, Lawanda	July 29, 2004-Septm 23, 2004	\$20,000.00	\$28,493.00
19 Hughes, Gregg	July 20, 2004-Apr. 17, 2009		\$68,000.00
Kozlovski, Doris	Jan. 24, 2006	\$5,200.00	
20 Lowenson, Minna	Nov. 22, 2004-July 12, 2007	\$10,000.00	\$6,600.00
Neely, Thomas & Jerri	May 3, 2004-Dec. 18, 2005	\$35,000.00	\$9,215.24
21 Schmidt, Audrey	June 13, 2005-Sept. 21, 2006	\$35,000.00	\$39,878.99
Singh, Gagandeep	July, 5, 2005-Jan. 24, 2008	\$20,000.00	\$189.17
22 Spring, Jerry & Mauricia	Nov. 17, 2005-Aug. 7, 2007	\$10,000.00	\$126,554.25
Worden, Richard	Mar. 15, 2004-Apr. 29, 2009		\$91,625.00

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2006-2007 Investors	Investment Period	Invest. Amount	Repayment
Antle, Naomi	Nov. 22, 2004-June 8, 2009	\$492,342.88	\$94,299.06
Chumley, Grace	Jan. 13, 2009-May 19, 2009	\$40,000.00	\$2,000
Dow, Marilyn	Apr. 6, 2006-June 8, 2009	\$200,000.00	\$116,188.89
Hsing, Suh-Mei	May 16, 2006-Feb. 26, 2009	\$350,052.45	\$179,037.00
Meadows, Mark & Jane (Marion Green)	May 19, 2006-May 18, 2009	\$667,025.00	\$279,450.00
Snow, Clinton & LuElla	May 12, 2006-May 27, 2009	\$1,410,815.78	\$352,900.05

Naomi Antle

Total Investment Amount: \$492,342.88

Total Repayments: \$94,299.06

Net Loss: \$372,954.07

Naomi Antle, an 85 year old resident of Mercer Island, Washington, met at Klos Mercer Island Covenant Church and has known him for 20 years. Antle said that Klos has educated her on financial matters and has given her financial advice through the years. Klos knows all of her assets and investments and advises her on how to handle them. Antle stated that Klos has financially assisted many other people. DFI received a complaint from Naomi Baker, Antle's licensed financial adviser based upon what Antle told her about Klos.

Antle gave Klos \$25,000 in November 2004 which was invested in AminoPath in Klos' own name. Antle was not included on AminoPath's investor list and, according to AminoPath's records, the money that AminoPath received for that investment was from Klos directly. Antle said that Klos told her that the company was not doing well, but had assets worth millions and expected that the investors would get their money back. Antle decided to cash out her investment, however. Antle would not say how she cashed it out; just that someone purchased the note from her. (Julie Anderson, Antle's daughter stated that Klos purchased the note from her.) Antle made additional investments of \$50,000 in March 2007, \$4,500 in June 2007 and \$5,000 in July 2007. Some of these investments are documented by promissory notes signed by Klos. Anderson said that she was present during some of Klos' solicitations to Antle.

At one point, Antle asked Klos for her money back, while Anderson was present. Klos told her that he could not give her the money because it was tied up in options that did not expire until July 20, 2007. Klos said that he would be able to give her money back at that time. Antle insisted that she get her money back and Klos agreed to give her \$25,000. Klos left to get a cashier's check and returned a while later with it. Klos fraudulently represented to Antle that her money was inaccessible because of options trading. An analysis of Klos' account records at Wells Fargo does not indicate that Antle's funds were inaccessible because of options trading nor were the funds in the options account inaccessible.

More recently, DFI has learned from Anderson that Antle and Klos are romantically involved and that Antle has give additional funds to Klos. When contacted, Antle would not disclose to DFI the intended use of the funds, but said Klos told her that he had talked to the IRS and a lawyer

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1 and that everything was "fine." Anderson also stated that Antle is currently giving her monthly
2 Social Security payment to Klos. Antle has been Klos' major source of funds from February 25,
3 2009 to September 2009 by providing him over \$350,000 during that time. Some of the funds
4 provided to Klos during this time were from the refinancing of Antle's home and the liquidation
5 of annuities. Additionally, DFI has recently learned that Antle invested \$100,000 on December
6 1, 2009 in bVisual. Klos received a five percent cash commission and a five percent stock
7 commission for Antle's investment. Antle is very guarded about what she says about Klos. She
8 believes that her children should stay out of her business and trusts Klos completely with her
9 financial affairs. Additionally, Anderson told DFI that Klos has control of Antle's finances and
10 that Antle is going into foreclosure on her home.

11 Grace Chumley

12 Total Investment Amount: \$40,000.00

13 Total Repayments: \$2,000.00

14 Net Loss: \$38,000

15 Chumley met Klos through her friend Patty Klos (Klos's daughter-in-law). Chumley's husband
16 committed suicide in 2008 and was having financial difficulty afterwards because she did not
17 have immediate access to insurance money and because her husband had maintained their
18 finances while married. Chumley had met Klos on a few occasions prior to his soliciting her to
19 invest and was under the impression that he was financial secure based upon what he said.

20 Klos and Patty Klos visited Chumley in Sequim on two occasions after her husband's death.
21 Klos told Chumley that he would give her \$500 per month interest on a \$40,000 investment.
22 Klos said that he had a guy that would invest the money in the stock market. Chumley did not
remember the name of the other person that Klos said would invest the money, but recalls that
Klos told her that he paid for that persons' schooling to do the investing. Klos told her that he
had property in the Vancouver area worth a lot of money so she did not have to worry about the
security of her money. Chumley said that she never really understood how Klos was going to
invest her money, she just trusted him and Patty Klos. Klos told her that she was not going to get
tax forms regarding her investment because the guy that was investing the money was paying the
taxes.

Chumley gave Klos a check for \$40,000 in January 2009 and received a promissory note in the
mail later that month. Chumley received the first few payments but stopped receiving monthly
payments in July 2009. When she asked for the return of her money, Klos told Chumley that he
had been a victim of identity theft and that the money was taken from his account so he could not
pay her.

Klos fraudulently represented how he was going to invest Chumley's money. He fraudulently
represented his net worth, providing Chumley a false sense of security for her investment. Klos
created multiple financial statements attesting to his net worth that were discovered during the
search of Klos' residence which inflated his assets; including the value of the property on the
Columbia River. Klos made the solicitation and received the check from Chumley while in
Sequim, Washington. Chumley received the promissory note in the mail and still has the

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1 envelope showing it was mailed from King County. (Chumley is still in possession of the
2 promissory note and envelope.)

3 Marilyn Dow

4 Total Investment Amount: \$200,000.00

5 Total Repayments: \$116,188.89

6 Net Loss: \$83,811.11

7 Marilyn Dow, a 67 year old resident of Seattle, Washington, met Klos about 10 years ago
8 through a friend. In 2000, Dow's marriage started to dissolve. The dissolution was finalized in
9 2005. Dow's husband took care of the finances up to that point. This was the first time that
10 Dow had to make financial decisions and she felt overwhelmed. Klos offered to assist her. Klos
11 and Dow kept in constant communication. Dow said that from 2005 onward it would be unusual
12 for her to go more than a day without speaking to Klos. Dow disclosed her financial information
13 to Klos and Klos educated Dow on investments and how to manage her money. Dow owned a
14 family farm in Iowa and in early 2005, Klos advised her to take a loan against the property and
15 invest the proceeds in AminoPath. Dow looked into this, but was unable to get financing on the
16 farm. Klos told Dow that if she invested in AminoPath, she would get in on the ground floor of
17 the company and could make a lot of money. Klos said that this was a remarkable opportunity to
18 make 12% per month for one year. Dow asked Klos what AminoPath paid him for getting
19 investors. Klos told her that AminoPath only paid him gas money.

20 In about March or April 2005, Dow met with Brian Waliser and Bill Riviere, officers of
21 AminoPath at that time, at the Newcastle Golf Course restaurant. There were three other
22 investors at the meeting; Linda Anderson and Mauricia and Jerry Spring. During the meeting
Waliser and Riviere described the AminoPath technology and said that this was an exciting
opportunity. Based on what Klos told Dow about the company in December 2005 or January
2006, she decided to invest in AminoPath promissory notes. Dow invested a total of \$280,000,
of which half came from her 401(k) retirement account. Klos facilitated the transaction and
instructed her where to wire the funds. (It appears that Dow's money was wired to an account
other than Klos's based upon bank records analysis of Klos's known accounts. These funds
could have been wired directly to AminoPath.)

Klos also approached Dow about investing in Genesis II. Klos told her that this was a good, safe
investment and she would get a 15% return per month and could get her original investment back
after a year. Klos did not tell Dow how the return would be generated. Dow stated in her
interview that she gave Klos \$100,000 to invest in Genesis II (bank records analysis shows a
\$200,000 transfer from Dow to Klos in April 2006) for which she has been getting monthly
checks from Klos in return.

Eventually, Dow told Klos that she needed a payment of \$20,000 from her Genesis II investment.
Klos told her that he could not give her the money. Dow wanted to use the money to participate
in the purchasing of land in Oroville, Washington with Klos, Spring, and Waliser. They planned
on holding the land for a couple of years and reselling it. When the land deal was finalized, she
only needed to contribute \$13,000. Klos agreed to Dow's request and wired \$13,000 on her

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1 behalf to purchase the property. Dow said that others who participated in the land purchase
2 include Klos, Waliser and the Springs.

3 Suh-Mei Hsing

4 Total Investment Amount: \$350,052.45

5 Total Repayments: \$179,037.00

6 Net Loss: \$171,015.45

7 Suh-Mei Hsing, a 65 year old resident of Issaquah, Washington met Klos at their gym. Hsing's
8 friend, Mauricia Spring, recommended that she invest with Klos. Spring told Hsing that she
9 invested \$50,000 with Klos in 2004 and received over \$100,000 in return. Klos told Hsing that
10 he would give her money to Robert Justice to invest in the stock market. Klos provided Hsing
11 with copies of his and Justice's resume. Klos also provided Hsing with a number of spreadsheets
12 showing how much interest she would earn based upon the length and amount of investment
13 made as well as an email from an early investor, Rick Worden, attesting to the fact that he was
14 receiving 2% per month on his Genesis investment. Hsing invested \$50,000 with Klos in May
15 2006. Klos promised Hsing a return of 15% per year plus the return of her principal at the end of
16 two years. Klos did not tell Hsing about his prior SEC action. Klos paid this investment back
17 over the next two years.

18 In early 2008 Klos approached Hsing about investing additional funds. Hsing gave Klos a check
19 for \$100,000 in March 2008 and was to receive \$1,250 per month in return. Klos made the
20 \$1,250 monthly interest payments on the investment and then returned the \$100,000 in February
21 2009. Hsing received a promissory note for this investment, but Klos took promissory note back
22 from Hsing when the note was paid off.

13 Klos solicited Hsing to invest more funds in May 2008. Klos initially asked for \$300,000. Klos
14 provided Hsing with a financial statement attesting to his net worth, spreadsheets showing the
15 interest that would be earned if she invested more money and a two page document explaining
16 the returns that he was promising Hsing. The net worth and income figures provided by Klos
17 appear to be highly inflated, listing Klos's assets at \$3,657,547 and a net worth of \$3,033,547 as
18 well as income of \$75,000 a year from Genesis I, \$75,000 from Genesis II and \$25,000 from an
19 unnamed "Investment." The net worth figures include real estate values that appear to have
20 highly inflated values. Klos gave Hsing additional spreadsheets in July 2008. Hsing decided to
21 invest \$200,000 with Klos. \$50,000 of this investment was put in Hsing's daughter's name, Lilly
22 Ho, and \$150,000 was put in Hsing's name. Hsing gave Klos \$75,000 in July 2008. According
to Klos, \$50,000 of the funds were to go to Justice and \$25,000 would be combined with \$25,000
provided by Klos and invested in bVisual. Hsing received a promissory note for Genesis II
signed by Klos and Justice in July 2008. The signing of the note was the first and only time that
Hsing met Justice. Hsing received another promissory note signed by Klos for the \$25,000 that
was to go to bVisual in July 2008. Neither Klos nor Hsing made an investment in bVisual in all
of 2008 according to bVisual records.

22 Hsing gave Klos the remaining \$125,000 of the \$200,000 investment in September 2008. At that
time, Klos gave Hsing a promissory note for \$150,000 and a spreadsheet reflecting the interest

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1 payments that Hsing would earn over the term of the note. Klos told Hsing that this money
2 would be paid to Justice to invest in the stock market.

3 In April 2009 Hsing asked for the return of her investment. Hsing told Klos that her mother in
4 Taiwan was in a coma and she needed to pay hospital bills and move her mother to a different
5 facility. Klos told her that he did not have the money but could give her \$50,000 at the end of
6 May 2009. On June 1, 2009 Hsing took Klos to lunch where she expected to receive \$50,000 of
7 the investment. Klos informed her at that time that he did not have the money. Klos told Hsing
8 that he would pay her back from the sale of property on the Columbia River, called Wind River,
9 and recommended that she visit the property. Klos told Hsing that he owned the entire property.
10 Hsing said that she learned from her attorney that Klos only has a one-third interest in the
11 property and that the property is worth far less than the \$6,000,000 that he is trying to sell the
12 land for.

13 Mark & Jane Meadows (Marion Green)

14 Total Investment Amount: \$667,025.00

15 Total Repayments: \$279,450.00

16 Net Loss: \$387,575.00

17 Jane Meadows and Mark Meadows ("Meadows") met through Marion Green (Jane's mother).
18 Green, Klos and the Meadows all attended Mercer Island Covenant Church. The funds provided
19 by to Klos were a combination of funds from Green and the Meadows. Green recently passed
20 away at the age of 83, before DFI was able to interview her.

21 According to Meadows, Klos first approached Green to invest and stated said that the money
22 would be invested by Robert Justice in the stock market. Klos said that he had consistently
received a return of 12-15% return per year on the money that he invested with Justice. Klos said
that Justice is allowed to keep any money that he makes above this amount and that sometimes
Justice has made 30% returns for his part. Meadows trusted Klos because Klos was a trusted
person in his church.

Meadows said he received a note paying 15% return on his initial investment. Klos told
Meadows that he did not need to pay taxes on the interest they earned. Additional investments
came from the equity in their home. Meadows began receiving interest payments as agreed, then
Klos asked for more money. The Meadows were in the middle of remodeling Green's home
when Klos asked for more funds. Meadows decided to get a bridge loan from a bank and used
\$50,000 to finish the remodel and gave the remainder of the funds to Klos. Meadows then
refinanced their home when the construction was completed and pulled even more money out to
give to Klos. Meadows said that Klos was with them the entire time they did the refinance,
including going to the mortgage broker's office with them. Meadows said that they relied upon
the investment returns from Klos to make their loan payments. Klos presented the investment as
100% guaranteed and stated he had assets in the Wind River Resort on the Columbia River to
back the investment. Meadows continued to receive payments from Klos until the spring of
2008. From the fall of 2008 to the spring 2009, Klos used the excuse that they were not getting
paid because he was the victim of identity theft. Meadows asked Klos for account statements for

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1 tax purposes. Klos said that Justice told him that the taxes had already been paid. Meadows
2 continued to ask for statements but never received any from Klos.

3 Clinton & LuElla Snow

4 Total Investment Amount: \$1,410,815.78

5 Total Repayments: \$352,900.05

6 Net Loss: \$1,057,915.73

7 Clinton and LuElla Snow, 78 years old and 83 years old respectively, and residents of Seattle,
8 Washington met Klos at Mercer Island Covenant Church about ten years ago. In a January 2006
9 interview by DFI, Clinton Snow stated that they invested with Klos based on trust. In September
10 2004, the Snows gave Klos \$50,000 to invest in the stock market. Klos said that he was going to
11 use a system that was advertised on television, which would tell him when to buy and sell stocks.
12 Klos told the Snows that they would receive about a 24.5% return on this investment.

13 In December 2004 Klos approached the Snows to invest in AminoPath. Klos told Clinton Snow
14 that he had two weeks to decide if he wanted to invest in AminoPath. Klos gave the Snows a
15 number of documents to review. Snow said that there were too many documents to go through
16 and the documents were difficult to understand. In December 2004, the Snows gave Klos
17 \$45,000 to invest in an AminoPath promissory note, which was subsequently rolled into
18 AminoPath stock.

19 Beginning in May 2006 and continuing through July 2007, the Snows gave Klos over \$875,000
20 to trade in the stock market according to Lisa and Jim Lady. Lisa Lady is the Snow's daughter
21 and Jim is Lisa's husband. Jim Lady met with Klos and was convinced that Klos wanted the best
22 for them and would not intentionally hurt them. Klos told Jim Lady that his friend was a wiz at
trading in the stock market and that he guaranteed returns of 15%. Klos told Jim Lady that his
friend was doing day trading of stocks.

The Snows refinanced their rental properties in order to invest with Klos. At one point, Chicago
Title, which performed the escrow services in some of the transactions, became concerned about
the Snows' relationship with Klos and made efforts to keep from funding the loans, but in the
end could not convince the Snows to reconsider.

Because Klos continued to solicit and receive funds from the Snows into 2008 (including
\$404,000 in June 2008), the Ladys began their efforts to get a power of attorney for the Snows.
Between November 5, 2008 and November 14, 2008, the Snows signed documents giving Lisa
Lady as Durable Power of Attorney. This replaced the Limited Power of Attorney appointment
to Klos that was signed by the Snows on October 23, 2008. According to his legal representative
and family, Clinton Snow was not mentally competent at the time he signed the power of
attorney granting Klos control over his affairs. The Snows' attorney provided DFI with
promissory notes received by the Snows that were signed by "Joseph Stephens" from 2006 and
2007. During the search a document was discovered that appears to show Klos practicing
signing the name "Joseph Stephens."

CERTIFICATION OF PROBABLE CAUSE - 11

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Attorney
King County Courthouse, Room W554
514 Third Avenue
Seattle, Washington 98104
(206) 296-9010 FAX (206) 296-9009

1 Eventually, LuElla Snow concluded that Klos was not serving her best interests and reached an
2 out-of-court settlement against Klos. The settlement included a non-disclosure agreement as to
3 the amount of the settlement. Based upon the Deed of Trust filed in Pacific County granting the
4 Snows as beneficiaries of a piece of property owned by Klos, it appears the settlement was for
5 \$1,634,682.69. Klos submitted a declaration to the court prior to the settlement in which he
6 stated "...I had a business relationship with an individual which had enabled me to consistently
7 realize a 15% rate of return on my money which I had loaned him." This is consistent with the
8 statements that Klos made to the other victims regarding Justice.

9 Offers by Klos to Martin Paup

10 Paup said that he learned of Klos through the Snows and contacted Klos regarding possibly
11 investing with him. LuElla Snow told Paup that they had mortgaged their home to take the
12 equity out and invest it at 14%, tax-free. Paup thought that the investment sounded like a Ponzi
13 scheme so he called Klos and asked about the investment. Klos and Paup met on June 27, 2007
14 to discuss the investment opportunity. Klos said that the investment was called Genesis II and
15 was reluctant to tell Paup how the money was invested but eventually told him that a friend of his
16 was day trading the money. Klos said that the friend made about 15% returns and paid investors
17 about 14%. Paup asked Klos about the investment being tax-free. Klos said that he had told the
18 Snows that they did not have to pay income tax on the money if they did not want to. Paup asked
19 Klos if he files a 1099 form. Klos said that he does not have to because he is not licensed as a
20 securities salesperson. Klos said that the bible tells him that it is not right to charge interest;
21 therefore, he does not get paid for getting people to invest and that he does it out of the goodness
22 of his heart. Klos told Paup that he solicits the investment for the pure joy of it and that he has
been doing it for seven years and had never gotten paid for it. Paup said that Klos told him not to
tell others about the investment because they would be jealous. Paup also said that LuElla Snow
told Paup that Klos had told her not to talk to the government about the investment if they ask
about it. Paup ultimately did not invest with Klos.

23 Use of Funds

24 The following Use of Funds analysis illustrates how Klos used the funds that he received from
25 investors from April 6, 2006 to September 29, 2009, the time period for the more recent
26 investors.

27 Although Klos had multiple accounts open from 2006-2009, all investor funds were deposited
28 into one particular bank account at Wells Fargo Bank and this account was the primary account
29 that Klos used. The analysis of this time period is limited to that account. As the analysis shows,
30 the vast majority of the deposits that Klos received were from investors (over 80% of the funds
31 when including money directly from investors and the return of investor money deposited in
32 Klos' OptionsXpress account). Klos' use of these investor's funds illustrates how he operated a
33 Ponzi scheme. Almost 45% of the money was used to pay back investors, including almost
34 \$1,000,000 pay back investors other than Antle, Chumley, Dow, Hsing, Meadows and the
35 Snows.

CERTIFICATION OF PROBABLE CAUSE - 12

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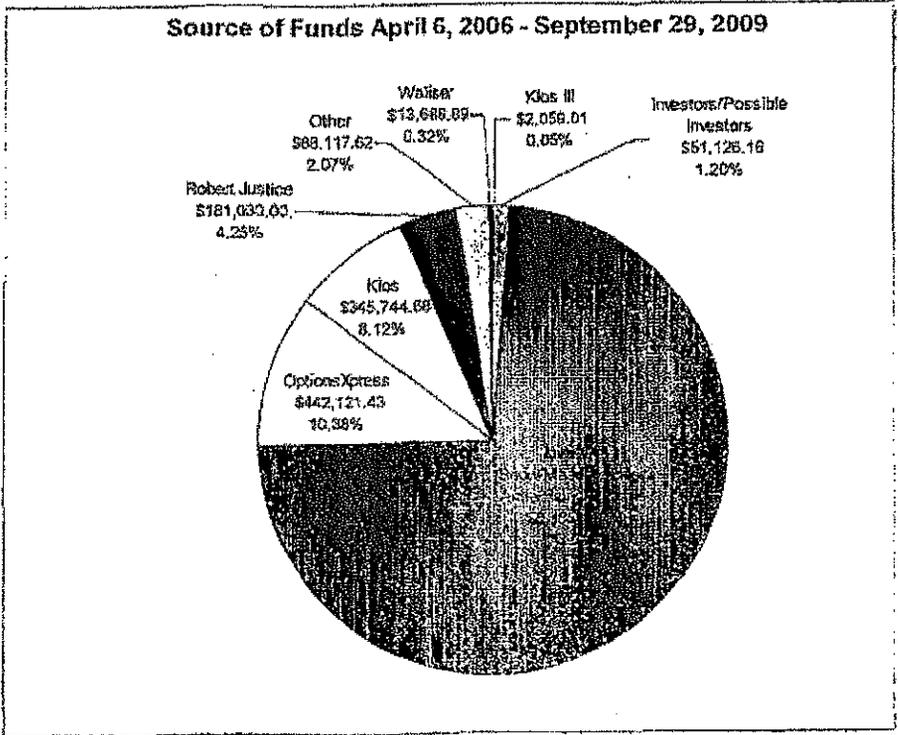
1 Although investors believed that their money was going to be invested by either Klos or Justice
 2 in the stock market, less than \$1,000,000 went to Justice or the OptionsXpress account. As
 3 discussed above, the money that did go to OptionsXpress was only invested for a short period of
 4 time and ultimately redeposited into Klos' bank account. Klos paid over \$500,000 to Justice,
 5 who returned just over \$180,000 to Klos (Although Klos stated to investigators that the money
 6 that was provided to Justice was for living expenses and not for investment purposes).
 7 Additionally, Klos used almost \$640,000 for his own benefit and paid over \$240,000 to his son,
 8 Stephen Klos III.

9 Other than investor funds, Klos' only other sources of money were his pension and social
 10 security, taking out equity in his home, or commissions from getting people to invest in other
 11 companies (AminoPath and bVisual). This income was insufficient to maintain his lifestyle and
 12 still payback his investors.

13 *Source and Use of Funds of Investor Funds from April 6, 2006 to September 29, 2009*

Category	Source	Use	Account Balance
Beginning Account Balance			\$7,374.58
Investor - Snow	\$1,410,815.78	\$352,900.05	
Investor - Meadows/Green	\$667,025.00	\$279,450.00	
Investor - Dow	\$200,000.00	\$116,188.89	
Investor - Antle	\$467,253.13	\$94,299.06	
Investor - Hsing	\$350,052.45	\$179,037.00	
Investor - Chumley	\$40,000.00	\$2,000.00	
Prior Investors / Possible Investors	\$51,126.16	\$956,273.41	
OptionsXpress	\$442,121.43	\$450,000.00	
Stephen Klos	\$345,744.68	\$642,518.16	
Robert Justice	\$181,030.00	\$522,129.00	
Brian Waliser	\$13,688.89	\$195,887.10	
Stephen Klos III	\$2,059.01	\$242,900.00	
Other	\$88,117.62	\$232,826.06	
Ending Account Balance			\$0.00
Total	\$4,259,034.15	\$4,266,408.73	

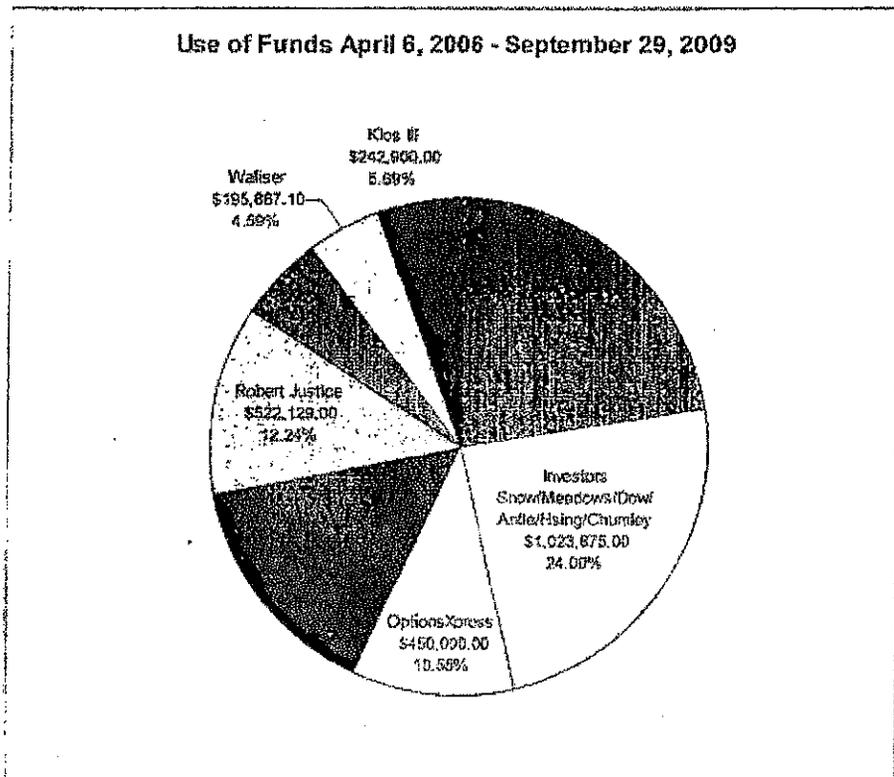
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CERTIFICATION OF PROBABLE CAUSE - 14

Daniel T. Satterberg, Prosecuting
Attorney
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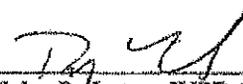
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Conclusion

Based on the Securities Division's investigation, we believe that Klos committed securities fraud based upon RCW 21.20.010 and unlawful sales of unregistered securities under RCW 21.20.140. Further, we believe that Klos has committed theft in the first degree pursuant to RCW 9A.56.020. Klos fraudulently misrepresented to the victims how he would invest their money, fraudulently represented to the victims his net worth, and fraudulently represented the successful investment track record of Justice. Additionally, Klos took advantage of multiple elderly individuals and in some cases caused conflict between family members because of Klos' intrusion into these families' financial affairs.

Under penalty of Perjury under the laws of the State of Washington, I certify that the foregoing is true and correct. Signed and dated by me this 31 day of MARCH, 2011, at Seattle, Washington.


Tyler R. Letey, WSBA NO. 30741
Staff Attorney
Department of Financial Institutions
Securities Division

Daniel T. Satterberg, Prosecuting Attorney
King County Courthouse, Room W554
514 Third Avenue
Seattle, Washington 98104
(206) 296-9010 FAX (206) 296-9009

STATE OF WASHINGTON } ss.
County of King

I, BARBARA MINER, Clerk of the Superior Court
of the State of Washington, for the County of King, do hereby certify
that I have compared the foregoing copy with the original instrument as
the same appears on file and of record in my office, and that the same
is a true and perfect transcript of said original and of the whole thereof
IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the
Seal of said Superior Court at my office at Seattle this _____
day of JUL 26 2017 20_____

BARBARA MINER Superior Court Clerk
By *[Signature]*
(Deputy Clerk)



FILED
2012 FEB -3 PM 3:40
KING COUNTY
SUPERIOR COURT CLERK
SEATTLE, WA

CERTIFIED
COPY

COPY TO COUNTY JAIL FEB - 3 2012

SUPERIOR COURT OF WASHINGTON FOR KING COUNTY

STATE OF WASHINGTON,)
)
 Plaintiff,) No. 11-C-02128-S SEA
)
 Vs.) JUDGMENT AND SENTENCE
) FELONY (FJS)
 ROBERT A. JUSTICE)
)
 Defendant,)

I. HEARING

I.1 The defendant, the defendant's lawyer, NIKOLE HECKLINGER, and the deputy prosecuting attorney were present at the sentencing hearing conducted today. Others present were: Mark Flona

II. FINDINGS

There being no reason why judgment should not be pronounced, the court finds:

2.1 CURRENT OFFENSE(S): The defendant was found guilty on 01/04/2012 by plea of:

Count No.: IX Crime: SECURITIES FRAUD
RCW 21.20.010 AND 21.20.400 Crime Code: 03254
Date of Crime: 05/16/2006 Incident No. _____

Count No.: X Crime: SECURITIES FRAUD
RCW 21.20.010 AND 21.20.400 Crime Code: 03254
Date of Crime: 04/12/2008 Incident No. _____

Count No.: XI Crime: SECURITIES FRAUD
RCW 21.20.010 AND 21.20.400 Crime Code: 03254
Date of Crime: 07/17/2008 Incident No. _____

Count No.: XII Crime: SECURITIES FRAUD
RCW 21.20.010 AND 21.20.400 Crime Code: 03254
Date of Crime: 07/18/2008 Incident No. _____

[] Additional current offenses are attached in Appendix A

SPECIAL VERDICT or FINDING(S):

- (a) While armed with a firearm in count(s) _____ RCW 9.94A.533(3).
- (b) While armed with a deadly weapon other than a firearm in count(s) _____ RCW 9.94A.533(4).
- (c) With a sexual motivation in count(s) _____ RCW 9.94A.835.
- (d) A V.U.C.S.A. offense committed in a protected zone in count(s) _____ RCW 69.50.435.
- (e) Vehicular homicide Violent traffic offense DUI Reckless Disregard.
- (f) Vehicular homicide by DUI with _____ prior conviction(s) for offense(s) defined in RCW 46.61.5055, RCW 9.94A.533(7).
- (g) Non-parental kidnapping or unlawful imprisonment with a minor victim. RCW 9A.44.128, .130.
- (h) Domestic violence as defined in RCW 10.99.020 was pled and proved for count(s) _____.
- (i) Current offenses encompassing the same criminal conduct in this cause are count(s) _____ RCW 9.94A.589(1)(a).
- (j) Aggravating circumstances as to count(s) _____:

2.2 OTHER CURRENT CONVICTION(S): Other current convictions listed under different cause numbers used in calculating the offender score are (list offense and cause number): _____

2.3 CRIMINAL HISTORY: Prior convictions constituting criminal history for purposes of calculating the offender score are (RCW 9.94A.525):

- Criminal history is attached in Appendix B.
- One point added for offense(s) committed while under community placement for count(s) _____

2.4 SENTENCING DATA:

Sentencing Data	Offender Score	Seriousness Level	Standard Range	Enhancement	Total Standard Range	Maximum Term
Count IX, X, XI, XII	3	III	9 TO 12		9 TO 12 MONTHS	10 YEARS AND/OR \$20,000
Count						
Count						
Count						

Additional current offense sentencing data is attached in Appendix C.

2.5 EXCEPTIONAL SENTENCE

Findings of Fact and Conclusions of Law as to sentence above the standard range:
Finding of Fact: The jury found or the defendant stipulated to aggravating circumstances as to Count(s) _____.

Conclusion of Law: These aggravating circumstances constitute substantial and compelling reasons that justify a sentence above the standard range for Count(s) _____. The court would impose the same sentence on the basis of any one of the aggravating circumstances.

An exceptional sentence above the standard range is imposed pursuant to RCW 9.94A.535(2) (including free crimes or the stipulation of the defendant). Findings of Fact and Conclusions of Law are attached in Appendix D.

An exceptional sentence below the standard range is imposed. Findings of Fact and Conclusions of Law are attached in Appendix D.

The State did did not recommend a similar sentence (RCW 9.94A.480(4)).

III. JUDGMENT

IT IS ADJUDGED that defendant is guilty of the current offenses set forth in Section 2.1 above and Appendix A.
 The Court DISMISSES Count(s) XIII _____

IV. ORDER

IT IS ORDERED that the defendant serve the determinate sentence and abide by the other terms set forth below.

4.1 RESTITUTION AND VICTIM ASSESSMENT:

- Defendant shall pay restitution to the Clerk of this Court as set forth in attached Appendix E.
- Defendant shall not pay restitution because the Court finds that extraordinary circumstances exist, and the court, pursuant to RCW 9.94A.753(S), sets forth those circumstances in attached Appendix E.
- Restitution to be determined at future restitution hearing on (Date) _____ at _____ m.
- Date to be set.
- Defendant waives presence at future restitution hearing(s).
- Restitution is not ordered.

Defendant shall pay Victim Penalty Assessment pursuant to RCW 7.68.035 in the amount of \$500.

4.2 OTHER FINANCIAL OBLIGATIONS: Having considered the defendant's present and likely future financial resources, the Court concludes that the defendant has the present or likely future ability to pay the financial obligations imposed. The Court waives financial obligation(s) that are checked below because the defendant lacks the present and future ability to pay them. Defendant shall pay the following to the Clerk of this Court.

(a) \$ 154.00 Court costs (RCW 9.94A.030, RCW 10.01.160); Court costs are waived;

(b) \$100 DNA collection fee (RCW 43.43.7541)(mandatory for crimes committed after 7/1/02);

(c) \$ _____, Recoupment for attorney's fees to King County Public Defense Programs (RCW 9.94A.030); Recoupment is waived;

(d) \$ _____, Fine; \$1,000, Fine for VUCSA; \$2,000, Fine for subsequent VUCSA (RCW 69.50.430); VUCSA fine waived;

(e) \$ 0, King County Interlocal Drug Fund (RCW 9.94A.030); Drug Fund payment is waived;

(f) \$ 0, \$100 State Crime Laboratory Fee (RCW 43.43.690); Laboratory fee waived;

(g) \$ _____, Incarceration costs (RCW 9.94A.760(2)); Incarceration costs waived;

(h) \$ 0, Other costs for: _____ + 254.00

4.3 PAYMENT SCHEDULE: Defendant's TOTAL FINANCIAL OBLIGATION is: \$176,615.94. The payments shall be made to the King County Superior Court Clerk according to the rules of the Clerk and the following terms: Not less than \$ _____ per month; On a schedule established by the defendant's Community Corrections Officer or Department of Judicial Administration (DJA) Collections Officer. Financial obligations shall bear interest pursuant to RCW 10.82.090. The Defendant shall remain under the Court's jurisdiction to assure payment of financial obligations: for crimes committed before 7/1/2000, for up to ten years from the date of sentence or release from total confinement, whichever is later; for crimes committed on or after 7/1/2000, until the obligation is completely satisfied. Pursuant to RCW 9.94A.7602, if the defendant is more than 30 days past due in payments, a notice of payroll deduction may be issued without further notice to the offender. Pursuant to RCW 9.94A.760(7)(b), the defendant shall report as directed by DJA and provide financial information as requested.

- Court Clerk's trust fees are waived.
- Interest is waived except with respect to restitution.

4.4 CONFINEMENT ONE YEAR OR LESS: Defendant shall serve a term of confinement as follows, commencing: immediately; (Date) 2/2/12 3/2/12 by 4:00 a.m./p.m.:

12 months/ days on count 9-12 months/ days on count _____ : _____ months/ days on count _____

This term shall be served:

- in the King County Jail or if applicable under RCW 9.94A.190(3) in the Department of Corrections.*
 in King County Work/Education Release (W/ER) subject to conditions of conduct ordered this date.
 Defendant shall report to and participate in Enhanced CCAP if not working while in W/ER.
 in King County Electronic Home Detention (EHD) subject to conditions of conduct ordered this date.
 For any burglary, before entering EHD, 21 days must be successfully completed in W/ER.

The terms in Count(s) No. 9-10, 11, & 12 are ~~consecutive~~ concurrent.

This sentence shall run CONSECUTIVE CONCURRENT to the sentence(s) in cause _____

* Defendant shall be eligible for work release after serving 3 months.

The sentence(s) herein shall run CONSECUTIVE CONCURRENT to any other term previously imposed and not referenced in this order. King County Jail

Credit is given for time served in King County Jail or EHD solely for confinement under this cause number pursuant to RCW 9.94A.505(6): 1 day(s) or days determined by the King County Jail.

Jail term is satisfied; defendant shall be released under this cause.

Credit is given for days determined by the King County Jail to have been served in the King County Supervised Community Option (Enhanced CCAP) solely under this cause number.

The court authorizes earned early release credit consistent with the local correctional facility standards for days spent in Enhanced CCAP.

ALTERNATIVE CONVERSION (RCW 9.94A.680): _____ days of confinement are hereby converted to:

_____ days/ hours community restitution (for nonviolent offenses only), to be completed by _____, 20____ under the supervision of the Department of Corrections; or if the defendant is not supervised by DOC, monitored by Helping Hands Program this court.

A review hearing is set on _____, 20____, at _____ a.m./ p.m. in this courtroom.

_____ days in Enhanced CCAP (for nonviolent, non-sex offenses only) subject to conditions of conduct ordered this date.

Alternative conversion was not used because of: criminal history, failure(s) to appear,

Other: _____

4.5 COMMUNITY CUSTODY is ordered for a period of 12 months. The defendant shall report to the Department of Corrections within 72 hours of this date or of his/her release if now in custody; shall comply with all the rules, regulations and conditions of the Department for supervision of offenders (RCW 9.94A.704); shall comply with all affirmative acts required to monitor compliance; shall not possess any firearms or ammunition; and shall otherwise comply with terms set forth in this sentence.

Appendix H, Additional Conditions is attached and incorporated.

4.6 NO CONTACT: For the maximum term of _____ years, defendant shall have no contact with _____

Sub mei bring or other victim named in the information.

4.7 DNA TESTING. The defendant shall have a biological sample collected for purposes of DNA identification analysis and the defendant shall fully cooperate in the testing, as ordered in Appendix G.

HIV TESTING: For sex offense, prostitution offense, drug offense associated with the use of hypodermic needles, the defendant shall submit to HIV testing as ordered in Appendix G.

4.8 OFF-LIMITS ORDER: (known drug trafficker) Appendix _____ is an off limits order that is part of and incorporated by reference into this Judgment and Sentence.

Date: 2/3/12

JUDGE

Print Name: Judge John P. Erlick

Presented by:

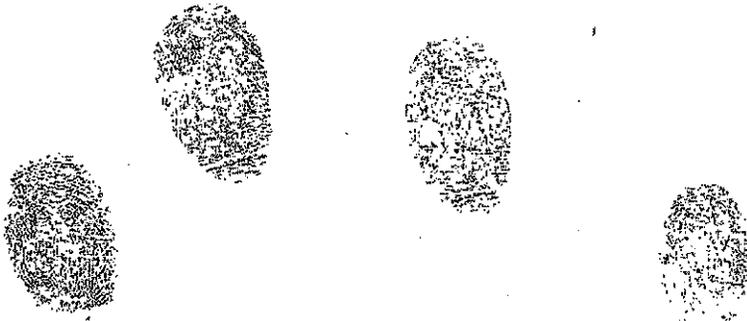
Scott A. Peterson
Deputy Prosecuting Attorney, WSBA# 17775
Print Name: Scott A. Peterson

Approved as to form:

[Signature]
Attorney for Defendant, WSBA# 14826
Print Name: Mark Flors

FINGERPRINTS

BEST AVAILABLE IMAGE POSSIBLE



RIGHT HAND
FINGERPRINTS OF:

DEFENDANT'S SIGNATURE:
DEFENDANT'S ADDRESS:

[Handwritten Signature]
4170 195th St. SE
Mercer Island, WA 98040

ROBERT ANDREW JUSTICE

DATED:

2/3/12
[Handwritten Signature]

ATTESTED BY: BARBARA MINER,
SUPERIOR COURT CLERK
BY: *[Handwritten Signature]*
DEPUTY CLERK

JUDGE, KING COUNTY SUPERIOR COURT

CERTIFICATE

OFFENDER IDENTIFICATION

I, _____,
CLERK OF THIS COURT, CERTIFY THAT
THE ABOVE IS A TRUE COPY OF THE
JUDGEMENT AND SENTENCE IN THIS
ACTION ON RECORD IN MY OFFICE.
DATED: _____

S.I.D. NO.
DOB: OCTOBER 24, 1958
SEX: M
RACE: W

CLERK

BY:

DEPUTY CLERK

SUPERIOR COURT OF WASHINGTON FOR KING COUNTY

STATE OF WASHINGTON,

Plaintiff,

vs.

ROBERT A. JUSTICE

Defendant,

No. 11-C-02128-5 SEA

APPENDIX G
ORDER FOR BIOLOGICAL TESTING
AND COUNSELING

(1) DNA IDENTIFICATION (RCW 43.43.754):

The Court orders the defendant to cooperate with the King County Department of Adult Detention, King County Sheriff's Office, and/or the State Department of Corrections in providing a biological sample for DNA identification analysis. The defendant, if out of custody, shall promptly call the King County Jail at 296-1226 between 8:00 a.m. and 1:00 p.m., to make arrangements for the test to be conducted within 15 days.

(2) HIV TESTING AND COUNSELING (RCW 70.24.340):

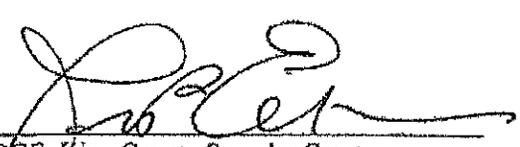
~~(Required for defendant convicted of sexual offense, drug offense associated with the use of hypodermic needles, or prostitution related offense.)~~

~~The Court orders the defendant contact the Seattle-King County Health Department and participate in human immunodeficiency virus (HIV) testing and counseling in accordance with Chapter 70.24 RCW. The defendant, if out of custody, shall promptly call Seattle-King County Health Department at 205-7837 to make arrangements for the test to be conducted within 30 days.~~

If (2) is checked, two independent biological samples shall be taken.

Date:

2/3/12



JUDGE, King County Superior Court

STATE OF WASHINGTON } ss.
County of King }

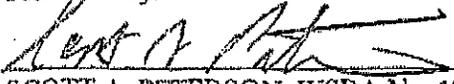
I, BARBARA MINER, Clerk of the Superior Court
of the State of Washington, for the County of King, do hereby certify
that I have compared the foregoing copy with the original instrument as
the same appears on file and of record in my office, and that the same
is a true and perfect transcript of said original and of the whole thereof
IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the
Seal of said Superior Court at my office at Seattle this _____
day of JUL 26 2017 20_____

BARBARA MINER Superior Court Clerk
By *Barbara Miner*
Deputy Clerk



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Presented by:



SCOTT A. PETERSON, WSBA No. 17275

Deputy Prosecuting Attorney

Approved for entry:



MARK FLORA, WSBA No. 14026

Attorney for Defendant

STATE OF WASHINGTON } ss.
County of King

I, BARBARA MINER, Clerk of the Superior Court of the State of Washington, for the County of King, do hereby certify that I have compared the foregoing copy with the original instrument as the same appears on file and of record in my office, and that the same is a true and perfect transcript of said original and of the whole thereof IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Seal of said Superior Court at my office at Seattle this _____ day of JUL 26 2017 20_____

BARBARA MINER Superior Court Clerk
By *Christine*
Deputy Clerk



From: Penn, Cheryl (OIC)
To: "rjustice888@gmail.com"
Subject: Producer Application Denial
Date: Tuesday, August 01, 2017 8:36:34 AM
Attachments: Image001.png
HearingDemand0616final.pdf

Mr. Justice:

This email is to inform you that your application for a life insurance producer license is denied. The denial is based upon the four 2012 felony convictions for securities fraud. RCW 48.17.530 (1)(f) gives the Commissioner the authority to deny the application of any person that has been convicted of a felony.

You have the right to demand a hearing to contest this decision. During this hearing, you can present your argument that the decision should not have been entered for legal and/or factual reasons and/or to explain the circumstances surrounding the activities which are the subject of this decision. You may be represented by an attorney if you wish, although it is not required. In many hearings before this agency parties do choose to represent themselves without an attorney. Your Demand for Hearing must be made within 90 days after the date of this decision, which is the date of this email, or your Demand will be invalid and this decision will stand. The form for requesting the hearing is attached.



Cheryl Penn, ACP
Producer Licensing & Oversight Compliance Supervisor
Associate Compliance Professional
Washington State Office of the Insurance Commissioner
360-726-7153 (direct line)
360-586-2019 (fax)
cheryl.p@oic.wa.gov (email)

Protecting Insurance Consumers

www.insurance.wa.gov | twitter.com/WA_OIC | wainsurance.blogspot.com | [email/text alerts](#)