

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF STATE  
BUREAU OF SECURITIES REGULATION  
CONCORD, NEW HAMPSHIRE**

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**IN THE MATTER OF:** )  
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**James E. Knee** )  
**Sterling Financial Services, LLC** ) **I-2016000015**  
**Respondents** )  
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**INTERIM CONSENT ORDER**

For the purpose of addressing immediate concerns raised by the State of New Hampshire, Department of State, Bureau of Securities Regulation (hereinafter referred to as the "Bureau"), the above listed Respondents have submitted an offer to enter into this Interim Consent Order with the Bureau. James E. Knee and Sterling Financial Services, LLC have reviewed the terms of this Interim Consent Order and wish to cooperate with the Bureau in its inquiry while also protecting the interests of all other entities and persons affected by the subject matter of this inquiry. Accordingly, the Respondents, without admitting or denying the following facts or allegations, do hereby consent to the following Interim Consent Order:

**FACTS**

1. James E. Knee ("Knee") is a New Hampshire resident who currently resides in Concord, New Hampshire. ~~Knee has been in the securities industry since 1988 and has most recently been licensed as a registered representative and investment adviser representative of Voya Financial Advisors, Inc. ("Voya") (CRD# 2882)~~

since November 2, 2015, when Voya executed a Registered Representative Agreement with Knee. Voya is a federally-covered investment advisor and a broker-dealer licensed by the Bureau since April 11, 1986. Knee's investment adviser and broker-dealer clients while with Voya are hereinafter be referenced as his "Knee's clients." Voya suspended Knee on August 12, 2016 and terminated its contract with Knee on August 18, 2016.

2. Sterling Financial Services, LLC ("Sterling") is a limited liability company created by Knee on or about October 1, 1998. From January 2, 2007 to January 16, 2013, Sterling was licensed as an investment adviser with the State of New Hampshire or with the Securities and Exchange Commission ("SEC"). Since January 16, 2013, Sterling has not been licensed as an investment adviser with any state or the SEC. On August 2, 2016, Knee applied to the Bureau to have Sterling licensed as an investment adviser in the State of New Hampshire and that application is pending.
3. The Bureau represents that it has evidence indicating that one of Knee's Clients ("Client 1") wrote several checks totaling at least two hundred and five thousand dollars (\$205,000) to Knee personally. Client #1 is a 78 year-old resident of Loudon, New Hampshire who has been a client of Knee for many years. Knee contends that these funds were given to him as an unsolicited gift from Client #1. The Bureau is in receipt of information suggesting that Knee's assertions that Client #1's funds were gifted to him is incorrect, and it will explore this matter further.
4. The Bureau remains concerned that Knee is unlawfully in possession of Client #1's funds, and possibly other funds, and that said funds could be irreparably dissipated if immediate steps are not taken.

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## UNDERTAKINGS

1. Within the undertakings of this Interim Consent Order, Respondents agree to waive their right to a hearing pursuant to N.H. RSA 421-B with respect to this Interim Consent Order.
2. This Interim Consent Order constitutes an Order of the Bureau for the sole purpose of addressing the Bureau's interim and immediate concerns regarding the dissipation of assets and does not fully resolve the Bureau's pending investigation of Respondents who are entering this Interim Consent Order for the purpose of promptly and expeditiously remedying the immediate concerns of the Bureau in regard to the pending investigation. Respondents acknowledge that this Interim Consent Order does not waive, in any respect, the Bureau's jurisdiction, authority and right to bring further proceedings under N.H. RSA 421-B as it deems necessary or to seek further penalties against Knee and Sterling. Respondents' agreement to enter this Interim Consent Order does not represent a concession by Respondents of any facts, conclusions of law, either under federal or state law, including in regard to any claims Respondents have against Voya, not explicitly waived.
3. As of the date of this Interim Consent Order, Respondents agree not to spend or cause to be spent any of Client #1's funds, or any other funds that may have been received from Knee's Clients, irrespective of whether said funds were advanced as a gift, loan, or investment with Knee or Sterling. Additionally, Respondents agree not to convert, sequester, transfer, sell or suffer the loss of any assets reasonably traceable as having been received from any Voya clients or any assets purchased with Voya clients' funds.
4. Until further order by the Bureau, Respondents agree not to have any contact or communication of any kind with Client #1 or direct any person to contact him on their behalf, provided, however, that counsel to Knee expressly reserves the right to interview Client #1 for the purpose of representing Knee. Knee agrees that his counsel will provide the Bureau with advance notice before counsel makes any

contact with Client #1. The Bureau will not deem contact by counsel consistent with this paragraph to constitute a violation of this paragraph.

5. Knee agrees not to dissipate or cause to be dissipated, in any way, any funds obtained by Knee after the execution of this Order including but not limited to the proceeds of any sale or partial sale of Knee's business assets. Any funds generated from the net proceeds of the sale of his business assets will be held in escrow or in a trust account pending the outcome on the Bureau's investigation. This provision does not restrict Mr. Knee from expending funds on ordinary non-business expenses and business expenses not outside the ordinary course of business. However, Knee agrees that he will notify the Bureau in advance of any expenditure in excess of \$5,000. The agreement set forth in paragraph 5 of this undertaking shall expire within ninety (90) days of the execution of this Interim Consent Order unless explicitly reauthorized by Respondent.
  
6. The Interim Consent Order will remain in place until further order by the Bureau. Knee and Sterling agree this Interim Consent Order constitutes a cease and desist order under N.H RSA 421-B:5-508 and any material violation of this order would constitute a class B felony.

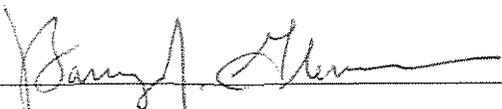
Based on the foregoing, the Bureau deems it appropriate and in the public interest to accept and enter into this Interim Consent Order. **THEREFORE, IT IS HEREBY ORDERED THAT:**

1. Respondents cease and desist from any violations of N.H. RSA 421-B.
  
2. Respondents comply with all undertakings agreed to above.

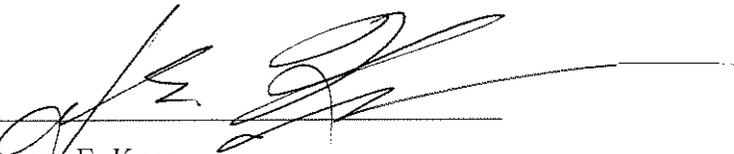
**So Ordered.**

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Entered this 29<sup>th</sup> day of August, 2016.

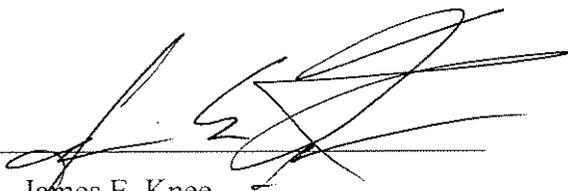
  
Barry Glennon, Director

Entered this 27 day of August, 2016.

  
James E. Knee

Entered this 27 day of August, 2016.

Sterling Financial Services, LLC

By:   
James E. Knee