

State of Missouri
Office of Secretary of State

Case No. AP-12-19

IN THE MATTER OF:

UVEST FINANCIAL SERVICES GROUP, INC.,
CRD No. 13787,

Respondents.

Serve UVEST Financial Services Group, Inc. at:
One Beacon Street, 22nd Floor
Boston, Massachusetts 02108-3106

CONSENT ORDER

1. State regulators from multiple jurisdictions, including the Enforcement Section of the Missouri Securities Division of the Office of the Secretary of State ("Enforcement Section"), conducted coordinated investigations of Bankers Life and Casualty Company ("Bankers Life") and BLC Financial Services, Inc. ("BLCFS") (collectively, "Bankers") to determine whether Bankers should have been registered as a broker-dealer and investment adviser between January 1, 2005, and December 2, 2011.
2. The state regulators, including the Enforcement Section, determined that Bankers has acted as a broker-dealer and investment adviser in those jurisdictions without being registered, exempt from registration, or a federal covered investment adviser, and has employed or associated with agents and investment adviser representatives who were not so registered on behalf of Bankers.
3. Bankers has engaged in similar conduct in Missouri, in violation of Sections 409.4-401, 409.4-402, and 409.4-403, RSMo. (Cum. Supp. 2011).
4. UVEST Financial Services Group, Inc. ("UVEST") entered into an agreement with Bankers to provide brokerage and investment advisory services out of branch office locations of Bankers Life.
5. The conduct addressed herein has resulted in no known direct consumer harm, and the parties understand that registered agents or representatives of UVEST participated in all securities transactions and at locations that were registered with the appropriate securities authorities as broker-dealer locations of UVEST.
6. UVEST has cooperated with state regulators conducting the investigations by responding to inquiries and providing documentary evidence, and halting further payment to BLCFS of broker-dealer and investment adviser related compensation while the investigations were pending.
7. UVEST is in the process of winding down its business and has filed or will file a Uniform Request for Broker-Dealer Withdrawal ("Form BDW") withdrawing its broker-dealer registration in Missouri.
8. UVEST, in order to avoid protracted and expensive proceedings in numerous states, has agreed to resolve the investigations through a multistate settlement that includes this Consent Order.
9. UVEST, as part of this settlement, agrees to comply with all state and federal licensing, registration, and other securities laws.
10. UVEST, without admitting or denying the Conclusions of Law set forth below and solely for the purposes of this Consent Order, admits the jurisdiction of the Missouri Commissioner of Securities ("Commissioner"), admits the Findings of Fact set forth in paragraphs 13-22 below, voluntarily consents to the entry of this Consent Order, and waives any right to a hearing or to judicial review regarding this Consent Order.
11. UVEST states that no promise of any kind or nature whatsoever that is not reflected in this Consent Order was made to UVEST to induce UVEST to enter into this Consent Order and that UVEST has entered into this Consent Order voluntarily.
12. NOW THEREFORE, the Commissioner hereby enters this Consent Order.

I. FINDINGS OF FACT

13. Bankers Life is a life insurance company located in Illinois that has never been registered as a broker-dealer or investment adviser.
14. BLCFS is a wholly-owned subsidiary of Bankers Life that also is located in Illinois. BLCFS has been a member of the National Association of Securities Dealers ("NASD") or its successor, the Financial Industry Regulatory Authority ("FINRA")

since 2003 and is registered as a broker-dealer in Illinois only through the Central Registration Depository ("CRD") with CRD number 126638. During its existence, BLCFS has had no business activity other than as described herein. BLCFS has never been registered as a broker-dealer or investment adviser in Missouri and it has not registered any agents or investment adviser representatives in Missouri.

15. At all relevant times, UVEST has been registered as a broker-dealer in Missouri with CRD number 13787 and (through an affiliate) a federal covered investment adviser.
16. Effective January 1, 2005, Bankers Life entered into a Financial Services Agreement with UVEST (the "UVEST Agreement") under which Bankers Life insurance agents who became licensed as registered agents and/or investment adviser representatives of UVEST (the "dual agents") would provide brokerage and investment advisory services out of Bankers Life branch office locations. The UVEST Agreement specified that UVEST would "exercise exclusive control" over the broker-dealer and investment advisory activities of the dual agents and assigned Bankers Life several securities-related roles, which Bankers Life did perform, including:
 - a. . appointing the persons to be dual agents and having sole discretion to withdraw appointments at any time;
 - b. determining with UVEST the number and identity of dual agents at each office;
 - c. determining with UVEST the compensation to be paid to each agent;
 - d. determining with UVEST the "brokerage product offerings available for distribution" by the dual agents;
 - e. approving the clearing broker selected by UVEST;
 - f. approving advertising and promotional material; and
 - g. paying for:
 - i. pre-examination training for required NASD/FINRA examinations;
 - ii. investment research materials used in the branch offices;
 - iii. recruitment and travel costs; and
 - iv. UVEST stationery and business cards.
17. The UVEST Agreement provided for UVEST to pay Bankers Life "Revenue Sharing Payments" according to a schedule that varied from eighty-two percent (82%) to eighty-five percent (85%) of the gross commissions received by UVEST for the dual agents' securities transactions. The UVEST Agreement characterized these payments as representing reimbursement for the compensation Bankers Life pays to the dual agents and "payment for the use of the facilities and equipment" of Bankers Life. The UVEST Agreement provided that Bankers Life would not compensate Series 6 licensed dual agents for the sale of individual stocks and bonds, and instead Bankers Life would retain all such revenue.
18. In March of 2005, Bankers Life determined that BLCFS should have been a party to the UVEST Agreement. As a result, the three firms agreed to a new first page of the UVEST Agreement that added BLCFS as a party and a new signature page, which was executed by the three parties. The revised UVEST Agreement did not assign BLCFS any rights or duties separate from those of Bankers Life and made all of the rights and duties of Bankers Life also apply to BLCFS.
19. Bankers and UVEST terminated the UVEST Agreement on or about April 29, 2010.
20. Evidence uncovered during the investigation showed that Bankers screened prospective securities agents, trained new securities agents, conducted periodic training sessions for securities agents, monitored and attempted to increase securities production of securities agents, and played a significant role in determining the compensation of securities agents. Additionally, evidence showed that the involvement of Bankers in securities-related roles led to confusion in the reporting and responsibility hierarchies between Bankers and the applicable broker-dealer.
21. At no time were the dual agents registered as agents or investment adviser representatives of Bankers Life or BLCFS.
22. From January 1, 2005, through April 29, 2010, Bankers received, on a nationwide basis, a total of approximately seventeen million dollars (\$17,000,000) from UVEST under their agreement for variable annuity and securities transactions and investment advice.

II. CONCLUSIONS OF LAW

23. Under the Missouri Securities Act of 2003, Chapter 409, *et. seq.*, a person may not act as a broker-dealer in Missouri unless registered or exempt from registration, under Section 409.4-401(a), RSMo. (Cum. Supp. 2011).
24. Similarly, a person may not act as an investment adviser in Missouri unless registered, exempt from registration, or a federal

covered investment adviser, under Section 409.4-403(a), RSMo. (Cum Supp. 2011).

25. A broker-dealer may not employ or associate with an agent, unless the employee or associated person is registered as an agent of the broker-dealer, under Section 409.4-402(d), RSMo. (Cum Supp. 2011).
26. An investment adviser may not employ or associate with an investment adviser representative unless the employee or associated person is registered as an investment adviser representative of the investment adviser, under Section 409.4-403(d), RSMo. (Cum Supp. 2011).
27. By engaging in the conduct set forth above, Bankers acted as an unregistered broker-dealer and investment adviser in Missouri in violation of Sections 409.4-401(a) and 409.4-403(a), RSMo. (Cum Supp. 2011).
28. Furthermore, by employing or associating with dual agents who were not registered as agents or investment adviser representatives of Bankers, Bankers violated Sections 409.4-402(d) and 409.4-403(d), RSMo. (Cum Supp. 2011).
29. By engaging in the conduct set forth above, UVEST has materially aided an act, practice or course of business constituting a violation of the Missouri Securities Act of 2003, or a rule adopted or order issued thereunder, and such conduct is grounds for an order imposing sanctions under Section 409.6-604(h), RSMo. (Cum Supp. 2011).
30. The Commissioner, after consideration of the facts set forth above and on the consent of UVEST and the Enforcement Section, finds and concludes that the Commissioner has jurisdiction over UVEST and this matter and that the following Order is in the public interest, necessary for the protection of public investors and consistent with the purposes intended by Chapter 409, RSMo. (Cum Supp. 2011).

Order

NOW, THEREFORE, it is hereby ordered that:

1. UVEST shall cease and desist from materially aiding Bankers in violating the Missouri Securities Act of 2003, Chapter 409, *et. seq.*
2. In accordance with the terms of the multistate settlement, UVEST shall pay an amount of seven hundred fifty thousand dollars (\$750,000), among the states where dual agents were located during the period from January 1, 2005, through April 29, 2010, allocated according to a schedule provided by the multistate investigation working group. UVEST shall pay to the Missouri Secretary of State's Investor Education and Protection Fund the sum of fourteen thousand one hundred fifty dollars and ninety-four cents (\$14,150.94). This payment shall be sent within ten (10) days of the effective date of this Consent Order to the Missouri Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be payable to the Missouri Secretary of State's Investor Education and Protection Fund. The Missouri Securities Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund.
3. If any state securities regulator determines not to accept the settlement offer of UVEST reflected herein, including the amount allocated to the applicable state according to the schedule referenced in paragraph 2 above, the payment to the Missouri Securities Division set forth in paragraph 2 above shall not be affected; and UVEST shall not be relieved of any of the non-monetary provisions of this Consent Order.
4. UVEST shall not attempt to recover any part of the payments addressed in this Consent Order from dual agents, Bankers, or customers of UVEST.
5. UVEST shall fully cooperate with any investigation or proceeding related to the subject matter of this Consent Order.
6. This Consent Order concludes the investigation by the Missouri Securities Division and any other action that the Commissioner could commence under applicable law on behalf of the state of Missouri as it relates to the violations described above, up to and including activity occurring through April 29, 2010; provided, however, that excluded from and not covered by this paragraph are any claims by the Missouri Securities Division arising from or relating to the "Order" provisions contained herein.
7. If payments are not made by UVEST, or if UVEST defaults in any of its obligations set forth in this Consent Order, the Commissioner may vacate this Consent Order, at his sole discretion, upon ten (10) days' notice to UVEST and without opportunity for administrative hearing or judicial review, and commence a separate action.
8. Nothing herein shall preclude the State of Missouri, its departments, agencies, boards, commissions, authorities, political subdivisions and corporations, other than the Missouri Securities Division and only to the extent set forth herein, (collectively, "State Entities") and the officers, agents or employees of State Entities from asserting any claims, causes of action, or applications for compensatory, nominal and/or punitive damages, administrative, civil, criminal, or injunctive relief against UVEST.
9. This Consent Order is not intended by the Commissioner to subject any person to any disqualifications under the laws of the United States, any state, the District of Columbia, Puerto Rico, or the Virgin Islands including, without limitation, any

disqualification from relying upon the state or federal registration exemptions or safe harbor provisions.

10. This Consent Order and the order of any other state in related proceedings against UVEST (collectively, the "Orders") shall not disqualify any person from any business that they otherwise are qualified, licensed or permitted to perform under applicable securities laws of the state of Missouri, and any disqualifications from relying upon this State's registration exemptions or safe harbor provisions that arise from the Orders are hereby waived.
11. This Consent Order and any dispute related thereto shall be construed and enforced in accordance with, and governed by, the laws of the state of Missouri without regard to any choice of law principles.
12. This Consent Order shall be binding upon UVEST, its relevant affiliates, successors and assigns as well as to successors and assigns of relevant affiliates with respect to all conduct subject to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.
13. Except as set forth above, the Missouri Securities Division agrees to take no action adverse to UVEST based solely on the same conduct addressed in this Consent Order. However, nothing in this Consent Order shall preclude the Missouri Securities Division from: (a) taking adverse action based on other conduct; (b) taking this Consent Order and the conduct described above into account in determining the proper resolution of action based on other conduct; (c) taking any and all available steps to enforce this Consent Order; or (d) taking any action against other entities or individuals, regardless of any affiliation or relationship between UVEST and the entities or individuals.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 16TH DAY OF OCTOBER, 2012.

ROBIN CARNAHAN
SECRETARY OF STATE

(Signed/Sealed)
MATTHEW D. KITZI
COMMISSIONER OF SECURITIES

Consented to by:
THE ENFORCEMENT SECTION OF THE
MISSOURI SECURITIES DIVISION

Mary S. Hosmer
Assistant Commissioner of Securities

Approved as to Form:

Attorney Name
Attorney for Respondent

By my signature below, I represent that I have been
authorized to enter into this Consent Order on behalf of:

UVEST FINANCIAL SERVICES GROUP, INC.
Respondent

Kathy Vannoy-Pineda
Chief Compliance Officer
UVEST Financial Services Group, Inc.
9785 Towne Centre Drive
San Diego, CA 92121