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**STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES**

In the Matter of

S-12-0054

UVEST Financial Services Group, Inc.,

ORDER TO CEASE AND DESIST,
ORDER ASSESSING CIVIL PENALTY
AND CONSENT TO ENTRY OF ORDER

Respondent

WHEREAS, state regulators from multiple jurisdictions 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 licensed as a broker-dealer and investment adviser between January 1, 2005, and December 2, 2011; and

WHEREAS, the investigations revealed that Bankers has acted as a broker-dealer and investment adviser in Oregon without being licensed, exempt from licensing, or a federal covered investment adviser, and has employed or associated with salespersons and investment adviser representatives who were not so licensed on behalf of Bankers, all in violation of ORS 59.165; and

WHEREAS, UVEST Financial Services Group, Inc. (“UVEST”) entered into an agreement with Bankers to provide brokerage and investment advisory services out of Bankers Life branch office locations; and

WHEREAS, this Order to Cease and Desist, Order Assessing Civil Penalty and Consent to Entry of Order (“Consent Order”) is entered into with the understanding that the conduct addressed herein has resulted in no known direct consumer harm and with the understanding that licensed salespersons or investment adviser representatives of UVEST participated in all

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1 securities transactions; and

2 WHEREAS, UVEST has cooperated with state regulators conducting the investigations
3 by responding to inquiries and providing documentary evidence; and

4 WHEREAS, UVEST is in the process of winding down its business and has filed a BD-
5 W withdrawing its broker-dealer license in Oregon; and

6 WHEREAS, UVEST has agreed to resolve the investigations through this Consent Order
7 in order to avoid protracted and expensive proceedings in numerous states; and

8 WHEREAS, UVEST, without admitting or denying the Conclusions of Law set forth
9 below and solely for the purposes of this Consent Order, admits the jurisdiction of the Director
10 of the Oregon Department of Consumer and Business Services (“Director”), admits the Findings
11 of Fact set forth below, voluntarily consents to the entry of this Consent Order, and waives any
12 right to a hearing or to judicial review regarding this Consent Order;

13 NOW THEREFORE, the Director hereby enters this Consent Order.

14

15

FINDINGS OF FACT

16 1. Bankers Life is a life insurance company located in Illinois that has never been licensed
17 as a broker-dealer or investment adviser.

18 2. BLCFS is a wholly-owned subsidiary of Bankers Life that also is located in Illinois.
19 BLCFS (CRD No. 126638) has been a member of NASD or FINRA since 2003 and is registered
20 as a broker-dealer only in Illinois. During its existence, BLCFS has had no business activity
21 other than as described herein. BLCFS has never been licensed as a broker-dealer or investment
22 adviser in Oregon, and it has not licensed any salespersons or investment adviser representatives
23 in Oregon.

24 3. At all relevant times, UVEST (CRD No. 13787) was a broker-dealer licensed in Oregon
25 and (through an affiliate) a federal covered investment adviser.

26 4. Effective January 1, 2005, Bankers Life entered into a Financial Services Agreement



1 with UVEST (the "UVEST Agreement") under which Bankers Life insurance agents who
2 became licensed as salespersons and/or investment adviser representatives of UVEST (the "dual
3 agents") would provide brokerage and investment advisory services out of Bankers Life branch
4 office locations. The UVEST Agreement specified that UVEST would "exercise exclusive
5 control" over the broker-dealer and investment advisory activities of the dual agents and assigned
6 Bankers Life several securities-related roles, which Bankers Life did perform, including:
7 a. appointing the persons to be dual agents and having sole discretion to withdraw
8 appointments at any time;
9 b. determining with UVEST the number and identity of dual agents at each office;
10 c. determining with UVEST the compensation to be paid to each agent;
11 d. determining with UVEST the "brokerage product offerings available for distribution"
12 by the dual agents;
13 e. approving the clearing broker selected by UVEST;
14 f. approving advertising and promotional material; and
15 g. paying for:
16 i. pre-examination training for required NASD/FINRA examinations;
17 ii. investment research materials used in the branch offices;
18 iii. recruitment and travel costs; and
19 iv. UVEST stationary and business cards.
20 5. The UVEST Agreement provided for UVEST to pay Bankers Life "Revenue Sharing
21 Payments" according to a schedule that varied from 82% to 85% of the gross commissions
22 received by UVEST for the dual agents' securities transactions. The UVEST Agreement
23 characterized these payments as representing reimbursement for the compensation Bankers Life
24 pays to the dual agents and "payment for the use of the facilities and equipment" of Bankers Life.
25 The UVEST Agreement provided that Bankers Life would not compensate Series 6 licensed dual
26 agents for the sale of individual stocks and bonds, and instead Bankers Life would retain all such



1 revenue.

2 6. In March of 2005, Bankers Life determined that BLCFS should have been a party to the
3 UVEST Agreement. As a result, the three firms agreed to a new first page of the UVEST
4 Agreement that added BLCFS as a party and a new signature page, which was executed by the
5 three parties. The revised UVEST Agreement did not assign BLCFS any rights or duties
6 separate from those of Bankers Life and made all of Bankers Life's rights and duties also apply
7 to BLCFS.

8 7. Bankers and UVEST terminated the UVEST Agreement effective on or about
9 April 29, 2010.

10 8. Evidence uncovered during the investigation showed that Bankers screened prospective
11 securities salespersons, trained new securities salespersons, conducted periodic training sessions
12 for securities salespersons, monitored and attempted to increase securities production of
13 securities salespersons, and played a significant role in determining the compensation of
14 securities salespersons. Additionally, evidence showed that the involvement of Bankers in
15 securities-related roles led to confusion in the reporting and responsibility hierarchies as between
16 Bankers and the applicable broker-dealer.

17 9. At no time were the dual agents licensed as salespersons or investment adviser
18 representatives of Bankers Life or BLCFS.

19 10. From January 1, 2005, through April 29, 2010, Bankers received, on a nationwide
20 basis, a total of approximately \$17 million from UVEST under their agreement for variable
21 annuity and securities transactions and investment advice.

22 **CONCLUSIONS OF LAW**

23
24 11. Under the Oregon Securities Law, Oregon Revised Statutes Chapter 59 and Oregon
25 Administrative Rules Chapter 441, a person may not act as a broker-dealer in Oregon unless
26 licensed or exempt from licensing. ORS 59.165(1).



1 12. Similarly, a person may not act as an investment adviser in Oregon unless licensed,
2 exempt from licensing, or a federal covered investment adviser. ORS 59.165(6).

3 13. A broker-dealer may not employ or associate with a salesperson, as defined in
4 ORS 59.015(18)(a), unless the employee or associated person is licensed as a salesperson of the
5 broker-dealer. ORS 59.165(3).

6 14. An investment adviser may not employ or associate with an investment adviser
7 representative unless the employee or associated person is licensed as an investment adviser
8 representative of the investment adviser. ORS 59.165(4).

9 15. By engaging in the conduct set forth above, Bankers acted as an unlicensed broker-
10 dealer and investment adviser in Oregon in violation of ORS 59.165(1) and ORS 59.165(6).

11 16. Furthermore, by employing or associating with dual agents who were not licensed as
12 salespersons or investment adviser representatives of Bankers, Bankers violated ORS 59.165(3)
13 and ORS 59.165(4).

14 17. By engaging in the conduct set forth above, UVEST has materially aided an act,
15 practice or course of business constituting a violation of the Oregon Securities Law or a rule
16 adopted or order issued thereunder, and such conduct is grounds for an order imposing sanctions
17 under ORS 59.245(4).

18 18. As a result, this Consent Order and the following relief are appropriate and in the public
19 interest.

20
21 **ORDER**

22 NOW, THEREFORE, THE DIRECTOR ISSUES THE FOLLOWING ORDERS:

23 19. UVEST shall CEASE AND DESIST from materially aiding Bankers in violating the
24 Oregon Securities Law, Oregon Revised Statutes Chapter 59 and Oregon Administrative Rules
25 Chapter 441.

26 20. In accordance with the terms of the multistate settlement, UVEST shall pay \$750,000 to



1 be distributed among the states where dual agents were located during the period from
2 January 1, 2005, through April 29, 2010, allocated according to a schedule provided by the
3 multi-state investigation working group. UVEST shall pay, pursuant to ORS 59.995(1), a civil
4 penalty of \$14,150.94 (fourteen thousand, one hundred fifty dollars and ninety-four cents) to the
5 Oregon Department of Consumer and Business Services as its portion of the total amount. Such
6 payment shall be made within ten days from the date this Consent Order is signed on behalf of
7 the Director.

8 21. If any state securities regulator determines not to accept the settlement offer of UVEST
9 reflected herein, including the amount allocated to the applicable state according to the schedule
10 referenced in paragraph 20 above, the payment to Oregon set forth in paragraph 20 above shall
11 not be affected; and UVEST shall not be relieved of any of the non-monetary provisions of this
12 Consent Order.

13 22. UVEST shall not attempt to recover any part of the payments addressed in this Consent
14 Order from dual agents, Bankers, or customers of UVEST.

15 23. UVEST shall fully cooperate with any investigation or proceeding related to the subject
16 matter of this Consent Order.

17 24. This Consent Order concludes the investigation by the Director and any other action
18 that the Director could commence under applicable law on behalf of the State of Oregon as it
19 relates to the violations described above, up to and including activity occurring through
20 April 29, 2010; provided, however, that excluded from and not covered by this paragraph are any
21 claims by the Director arising from or relating to the "Order" provisions contained herein.

22 25. If payments are not made by UVEST, or if UVEST defaults in any of its obligations set
23 forth in this Consent Order, the Director may vacate this Consent Order, at his sole discretion,
24 upon 10 days notice to UVEST and without opportunity for administrative hearing or judicial
25 review, and commence a separate action.

26 26. Nothing herein shall preclude the State of Oregon, its departments, agencies, boards,



1 commissions, authorities, political subdivisions and corporations, other than the Director and
2 only to the extent set forth herein, (collectively, "State Entities") and the officers, agents or
3 employees of State Entities from asserting any claims, causes of action, or applications for
4 compensatory, nominal and/or punitive damages, administrative, civil, criminal, or injunctive
5 relief against UVEST.

6 27. This Consent Order is not intended by the Director to subject any person to any
7 disqualifications under the laws of the United States, any state, the District of Columbia, Puerto
8 Rico, or the Virgin Islands including, without limitation, any disqualification from relying upon
9 the state or federal registration exemptions or safe harbor provisions.

10 28. This Consent Order and the order of any other state in related proceedings against
11 UVEST (collectively, the "Orders") shall not disqualify any person from any business that they
12 otherwise are qualified, licensed or permitted to perform under applicable securities laws of the
13 State of Oregon, and any disqualifications from relying upon this state's registration exemptions
14 or safe harbor provisions that arise from the Orders are hereby waived.

15 29. This Consent Order and any dispute related thereto shall be construed and enforced in
16 accordance with, and governed by, the laws of the State of Oregon without regard to any choice
17 of law principles.

18 30. This Consent Order shall be binding upon UVEST, its relevant affiliates, successors
19 and assigns as well as to successors and assigns of relevant affiliates with respect to all conduct
20 subject to the provisions above and all future obligations, responsibilities, undertakings,
21 commitments, limitations, restrictions, events, and conditions.

22 31. Except as set forth above, the Director agrees to take no action adverse to UVEST
23 based solely on the same conduct addressed in this Consent Order. However, nothing in this
24 Consent Order shall preclude the Director from: (a) taking adverse action based on other
25 conduct; (b) taking this Consent Order and the conduct described above into account in
26 determining the proper resolution of action based on other conduct; (c) taking any and all

1 available steps to enforce this Consent Order; or (d) taking any action against other entities or
2 individuals, regardless of any affiliation or relationship between UVEST and the entities or
3 individuals.

4 IT IS HEREBY ORDERED on this 13th day of September, 2012.

5
6 PATRICK M. ALLEN, Director
7 Department of Consumer and Business Services

8
9 /s/ Brian Light, for
10 David C. Tatman, Administrator
11 Division of Finance and Corporate Securities

12 **CONSENT TO ENTRY OF CONSENT ORDER**

13 UVEST Financial Services Group, Inc. ("UVEST"), by signing below, admits the
14 Findings of Fact set forth above, agrees to the entry of this Consent Order, and waives any right
15 to a hearing or to judicial review.

16 UVEST states that no promise of any kind or nature whatsoever that is not reflected in
17 this Consent Order was made to it to induce it to enter into this Consent Order and that it has
18 entered into this Consent Order voluntarily.

19 Kathleen D. VanNoy-Pineda (name) represents that he or she has been
20 authorized to enter into this Consent Order on behalf of UVEST.

21
22 UVEST Financial Services Group, Inc.

23
24 By: /s/ Kathleen D. VanNoy-Pineda

25 Title: Chief Compliance Officer

26 Date: 9-6-12

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