



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
LEGEND EQUITIES)
CORPORATION, CRD Number 104761,) Case No. AP-15-37
)
)
Respondent.)

CONSENT ORDER

SUMMARY OF ENFORCEMENT SECTION'S ALLEGATIONS

1. The Missouri Securities Division of the Office of Secretary of State (the "Division"), through Assistant Chief Counsel Jennifer J. Martin, has alleged that Legend Equities Corporation ("Respondent"), through its agent, Adam Clyne, made an unsuitable securities recommendation to a Missouri customer, and that this constitutes grounds to issue an order against Respondent pursuant to Section 409.4-412(d)(13), RSMo. (Cum. Supp. 2013).¹
2. Respondent and the Division desire to settle the allegations and the matters raised by the Division relating to the Respondent's alleged violations.

CONSENT TO JURISDICTION

3. Respondent and the Division stipulate and agree that the Missouri Commissioner of Securities ("Commissioner") has jurisdiction over the Respondent and these matters pursuant to the Missouri Securities Act of 2003, Chapter 409, *et seq.*
4. Respondent and the Division stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), which provides:

"The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act."

¹ Unless otherwise noted, all statutory references are to the 2013 cumulative supplement to the Revised Statutes of Missouri.

WAIVER AND EXCEPTION

5. Respondent waives Respondent's rights to a hearing with respect to this matter.
6. Respondent waives any rights that Respondent may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondent specifically forever releases and holds harmless the Missouri Office of Secretary of State, Secretary of State, Commissioner, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
7. Respondent stipulates and agrees with the Division that, should the facts contained herein prove to be false or incomplete in a material way, the Enforcement Section reserves the right to pursue any and all legal or administrative remedies at its disposal.

CONSENT TO COMMISSIONER'S ORDER

8. Respondent and the Division stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
9. Respondent agrees not to take any action or to make or permit to be made any public statement creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondent's (a) testimonial obligations; (b) right to take legal or factual positions in connection with litigation, arbitration, or other legal proceeding in which the Commissioner is not a party; or (c) right to make public statements that are factual.
10. Respondent agrees that Respondent is not the prevailing party in this action since the parties have reached a good faith settlement.
11. Respondent neither admits nor denies the allegations made by the Division, but consents to the Commissioner's Findings of Fact, Conclusions of Law, and Order as set forth below solely for the purposes of resolving this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.

COMMISSIONER'S FINDINGS OF FACT,
CONCLUSIONS OF LAW, AND ORDER

I. FINDINGS OF FACT

12. Legend Equities Corporation ("Legend") is a Missouri-registered broker-dealer with a main office address of 4600 East Park Drive, Suite 300, Palm Beach Gardens, Florida 33410. Legend Equities is registered in Missouri through the Central Registration Depository ("CRD") with CRD number 104761.

13. Clyne has been a Missouri-registered agent with Legend Equities since September 6, 2011, and has an office address of 8111 Roxburgh Drive, Suite 2NE, Clayton, Missouri 63105. Clyne is registered in Missouri through the CRD with number 4990574.
14. Clyne is registered with the Missouri Department of Insurance, Financial Institutions, and Professional Registration (“DIFP”) with a license number of 0351273.

Missouri Resident 1 and Missouri Resident 2

15. In or around September of 2011, Clyne became the registered representative for an 88 year-old Missouri resident with dementia (“Mother”) when Mother’s previous investment adviser retired.
16. A Missouri resident and daughter of the Mother (“MR1”) was given certain rights pursuant to a power-of-attorney from the Mother and became trustee for the Mother’s revocable living trust (“Trust”). MR1 and MR1’s brother (“MR2”) were beneficiaries of the Trust.
17. On or around August 6, 2012, Legend, through Clyne, recommended MR1 replace Mother’s two Jackson National fixed annuities (“FAs”), each generating 3% rates of return, with a Security Benefit Variable Annuity (“VA”). The two FAs were outside of the surrender periods, and thus, Mother and MR1 had full access to the funds to provide for the Mother’s health and well-being.
18. In or around March, 2012, MR1, on the recommendation of Clyne and Legend, surrendered the Mother’s two FAs and replaced them with the VA.
19. Clyne listed the Trust as owner of the VA and MR1 as the annuitant for the VA. Clyne listed MR1 as the annuitant because the VA would not have been approved if the Mother was listed as the annuitant, primarily due to the Mother’s age and health. Clyne listed the Mother’s Trust as the beneficiary of the VA.
20. Legend approved this replacement, as well as the listing of MR1 as the annuitant.
21. On or about August 23, 2014, Mother passed away, leaving MR1 to administer the Trust assets, which included the VA.
22. In order to distribute the Trust assets, MR1 was required to surrender the VA. Since the VA was still within the surrender period, a surrender fee of \$5,733.79 was assessed to the Trust.

23. Legend, through Clyne, made an unsuitable investment recommendation, by among other things, recommending or approving the replacement of the two FAs with the VA without a reasonable basis to believe the recommended investment strategy was suitable, because, among other things:
- a. at the time of the sales, the Mother was 89 years old, suffering from dementia, risk-averse, and needed access to capital;
 - b. the funds in the VA were subject to an 8-year surrender period where the Mother and MR1 would have limited access to capital; and
 - c. the structure of the transaction required the trust to be administered for an extended period of time beyond the Mother's death. .
24. Clyne has made the following statements to the Enforcement Section:
- a. Clyne took over the accounts of Mother with the retirement of the Mother's previous representative;
 - b. Mother was diagnosed with dementia prior to Clyne's initial conversations with MR1 about the Mother's investments;
 - c. MR1 had power-of-attorney over the Mother and was trustee of the Trust;
 - d. Clyne recommended replacing the FAs with the VA that was to be held inside the trust;
 - e. the FAs originally owned by the Mother each had 3% rates of return and very low fees;
 - f. Clyne listed MR1 as the annuitant of the VA because of Mother's age at the time of replacement;
 - g. Clyne knew that Mother had a very limited time horizon to invest funds, due to Mother's age and station in life; and
 - h. Clyne had a working knowledge of trusts and understood that upon the death of MR's mother, MR would need to liquidate the VA in order to and efficiently administer the Trust.

II. CONCLUSIONS OF LAW

29. The Commissioner finds Respondent, through Clyne, made an unsuitable securities recommendation in Missouri and that this conduct constitutes grounds to discipline Respondent under Section 409.4-412, (d)(9).

30. The Commissioner, after consideration of the stipulations set forth above and on the consent of Respondent and the Enforcement Section, finds and concludes that the Commissioner has jurisdiction over Respondents 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. 2013).

III. ORDER

NOW, THEREFORE, it is hereby Ordered that:

1. Respondent is ordered to pay \$5,733.79 in restitution. This amount shall be sent within 15 days of the effective date of this Consent Order to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be payable to the Missouri Secretary of State's Investor Restitution Fund. This payment will be distributed by that Fund to the investor listed and the amount specified in Exhibit A.
2. Respondent is ordered to pay \$5,000 to the Missouri Secretary of State's Investor Education and Protection Fund. This payment shall be sent within 15 days of the effective date of this Consent Order to the 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 Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund.
3. Respondent is ordered to pay \$2,000 as the cost of this investigation. This amount shall be sent within 15 days of the effective date of this Consent Order to the 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 Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund.
4. Respondent shall pay their own costs and attorneys' fees with respect to this matter.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 29 DAY OF October, 2015.



JASON KANDER
SECRETARY OF STATE

Andrew M. Hartnett

ANDREW M. HARTNETT
COMMISSIONER OF SECURITIES

Consented to by:

THE MISSOURI SECURITIES DIVISION

Jennifer J. Martin

Jennifer J. Martin
Assistant Chief Counsel

LEGEND EQUITIES CORPORATION

Samuel A. Kuehn

By: Samuel A. Kuehn, Vice-President and
Chief Compliance Officer