State of Missouri
Office of Secretary of State

Case No. AP-05-20

IN THE MATTER OF:

Everen Securities, Inc. and
First Union Securities, Inc.
(n/k/a) Wachovia Securities, LLC

901 East Byrd Street
Richmond , Virginia 23219 ,

Respondent.

CONSENT ORDER

The Missouri Securities Division alleges that Everen Securities Inc. and First Union Securities, Inc. (n/k/a) Wachovia Securities, LLC ("Respondent") failed to supervise an agent in Missouri and that this constitutes grounds to revoke, bar or censure Respondent's registration in Missouri pursuant to Section 409.204, RSMo 2000.

1. Respondent and the Securities Division desire to settle the allegations and the matters raised by the staff of the Securities Division relating to the alleged violations by Respondent;
2. Respondent and the Securities Division consent to the issuance of this Consent Order and hereby stipulate that this Consent Order is in the public interest;
3. Respondent stipulates and agrees 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;
4. Respondent waives its right to a hearing with respect to this matter; and
5. Respondent stipulates and agrees that Respondent waives any rights Respondent may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order and, further, Respondent specifically forever releases and holds harmless the Missouri Office of Secretary of State, Secretary of State, Commissioner of Securities and their respective representatives and agents from any and all liability and claims arising out of, pertaining to or relating to this matter.

STIPULATIONS OF FACT

6. Respondent and the Securities Division stipulate and agree to the following Stipulations of Fact:
7. Respondent has a main office address of 901 East Byrd Street, Richmond, Virginia 23219.
8. Respondent has been a registered broker-dealer firm in Missouri since January 5, 1988 and is a member of the National Association of Securities Dealers ("NASD").
9. William Ramey Mead, Jr., ("Mr. Mead") was a registered agent of Everen Securities, Inc. ("Everen") from May 22, 1992 until October 10, 1999. First Union Corporation acquired Everen in October 1999 and merged Everen into First Union Securities, Inc. ("First Union"). Mead was a registered agent of First Union from October 10, 1999 until the date of his termination by First Union, May 22, 2002.
10. On June 5, 2002, First Union merged with Wachovia Securities, Inc. and became identified as Wachovia Securities Inc. On July 1, 2003 the firm became identified as Wachovia Securities, LLC ("Wachovia").
11. During the time period pertinent to this Order, Mead was registered with the CRD with the agent number of 330671.
12. During the time period pertinent to this Order, Mr. Mead worked in branch office locations of Everen and First Union in Belleville, Illinois and Clayton, Missouri.

13. On January 7 and 8, 2004, representatives of the Missouri Securities Division conducted a limited review of required books and records at Respondent's branch office in Clayton, Missouri. This location was an office of supervisory jurisdiction for Mr. Mead during the time period pertinent to this Order.

14. A review of numerous new account forms completed by Mr. Mead indicated, among other things, that Mr. Mead failed to document client's financial status including "annual income," "liquid assets," and "net worth" on a sampling of 38 new account forms completed by him. On these 38 new account forms, the client initialed areas indicating "declines to provide financial data" or "client declines to give."

15. Mr. Mead would often encourage the client to initial the form indicating that the client preferred not to provide personal financial data.

16. The absence of personal financial data on new account forms made it more difficult for Mr. Mead and/or supervisory principals to conclude what percentage of the client's net worth was being allocated to various investment categories and risks, thus minimizing the supervisor's ability to make an appropriate suitability determination.

17. Each of the thirty-eight new account forms submitted by Mr. Mead without the client's financial data was approved by one of several supervisory principals of Everen and First Union.

18. In a letter dated November 10, 2004 to Respondent regarding supervision of Mr. Mead while he was a registered agent of Everen and First Union, the Securities Division requested copies of letters, memorandums and email correspondence concerning disciplinary issues, recommendations, or other actions taken by Everen and First Union. Respondent was also requested to provide all documentation regarding censures, fines, restrictions, limitations and/or heightened supervision of Mr. Mead.

19. In a written response to the Division dated November 23, 2004, Respondent indicated that Mr. Mead was terminated by First Union in May 2002. Prior to his termination, Mr. Mead was not disciplined at any time while a registered agent of Everen or First Union. Respondent indicated, among other things, that at no time prior to his termination did Everen or First Union censure, fine, or suspend Mr. Mead; nor did Everen or First Union ever identify Mr. Mead or his actions as being worthy of heightened supervision.

20. First Union received a sales practice complaint against Mr. Mead in October 2001. First Union received additional sales practice complaints against Mr. Mead in November 2001 and January 2002. In March and May of 2002, First Union received two additional sales practice complaints against Mr. Mead. First Union terminated Mr. Mead in May 2002.

21. Respondent also provided various supervisory reports regarding questionable activity or possible "red flags" relative to Mr. Mead's client accounts. Those reports had been available to the principals of Everen and First Union who were responsible for supervision of Mr. Mead.

22. Among the pages provided, Everen and First Union's compliance divisions identified certain client accounts with margin balances in excess of $10,000 and numerous mutual fund switches during 2000 and 2001.

23. On June 13, 2002, Respondent submitted a Uniform Termination Notice for Securities Industry Registration ("Form U-5") to the CRD indicating that the employment of William Ramey Mead, Jr. had been terminated effective May 22, 2002 for "failure to adhere to firm guidelines regarding recommendations for securities in customer accounts."

24. During the period May 28, 2002 to October 15, 2004, Respondent entered into settlement agreements totaling $2,401,803 with 22 former clients of Mr. Mead. These included the following:

    a. On October 15, 2001, First Union received a complaint from a Missouri resident who alleged that unsuitable investment recommendations by Mr. Mead resulted in losses. On December 19, 2002, Respondent settled the complaint by compensating the complainant an amount of $100,000.

    b. On November 21, 2001, First Union received a complaint from two Missouri residents, trustees of a Missouri trust account, which alleged that unsuitable investment recommendations by Mr. Mead resulted in losses. On April 11, 2003, Respondent settled the complaint by compensating the complainants an amount of $300,000.

    c. On January 23, 2002, First Union received a complaint from a Missouri resident who alleged that unsuitable investment recommendations by Mr. Mead resulted in losses. On May 28, 2002, First Union settled the complaint by compensating the complainant an amount of $37,000.

    d. On September 16, 2002, Respondent received a complaint from a Missouri resident who alleged that unsuitable investment recommendations by Mr. Mead resulted in losses. On February 6, 2003, Respondent settled the complaint by compensating the complainant an amount of $100,000.

    e. On October 18, 2002, Respondent received a complaint from a Florida resident who alleged that unsuitable investment recommendations by Mr. Mead resulted in losses. On March 17, 2003, Respondent settled the complaint by compensating the complainant an amount of $125,000.

f. On November 21, 2002, Respondent received a complaint from a Missouri resident who alleged that unsuitable investment recommendations by Mr. Mead resulted in losses. On April 28, 2003, Respondent settled the complaint by compensating the complainant an amount of $16,500.

g. On January 31, 2003, Respondent received a complaint from a Missouri resident who alleged that unsuitable investment recommendations by Mr. Mead resulted in losses. On January 8, 2004, Respondent settled the complaint by compensating the complainant an amount of $24,000.

h. On August 5, 2003, Respondent received complaints from five separate Missouri households who alleged that unsuitable investment recommendations by Mr. Mead resulted in losses. On May 10, 2004, Respondent settled the complaints by compensating the complainants a combined amount of $770,000.

i. On August 14, 2003, Respondent received a complaint from a Missouri resident who alleged that unsuitable investment recommendations by Mr. Mead resulted in losses. On December 30, 2003, Respondent settled the complaint by compensating the complainant an amount of $140,000.

j. On December 16, 2003, Respondent received a complaint from a Missouri resident who alleged that unsuitable investment recommendations by Mr. Mead resulted in losses. On October 15, 2004, Respondent settled the complaint by compensating the complainant an amount of $227,250.

k. On April 29, 2004, Respondent received a complaint from five separate Missouri households who alleged that unsuitable investment recommendations by Mr. Mead resulted in losses. On October 6, 2004, Respondent settled the complaint by compensating the complainants a combined amount of $320,457.

l. On May 24, 2004, Respondent received a complaint from a Missouri resident who alleged that unsuitable investment recommendations by Mr. Mead resulted in losses. On October 6, 2004, Respondent settled the complaint by compensating the complainant an amount of $197,561.

m. On July 14, 2004 Respondent received a complaint from a Missouri resident who alleged that unsuitable investment recommendations by Mr. Mead resulted in losses. On October 6, 2004, Respondent settled the complaint by compensating the complainant an amount of $15,000.

n. On August 5, 2004, Respondent received a complaint from a Missouri resident who alleged that unsuitable investment recommendations by Mr. Mead resulted in losses. On October 6, 2004, Respondent settled the complaint by compensating the complainant an amount of $29,035.

25. Many of the Claimants referenced above indicated that they were encouraged by Mr. Mead to sign or initial new account forms that were blank or had not been completed regarding each client's personal financial information.

26. Some of the recommendations involved selling the investors' holdings in long term mutual funds in order to then repurchase a different mutual fund. This "switching" of mutual funds created commissions for Mr. Mead.

27. Respondent has reviewed procedures to identify potential violations of securities industry laws and standards of conduct by agents and employees of Respondent.

a. Respondent states that it has put systems in place to reasonably supervise its agents and employees by applying procedures that would reasonably be expected to prevent and detect, in so far as practicable, any violations of its policies or procedures by its agents or employees.

b. Respondent states that it has developed and distributed to all Missouri registered principals a system identifying agent "red flag" behavior that may warrant heightened supervisory scrutiny or indicate possible violations of securities laws.

c. Respondent states that it has enhanced its supervisory procedures to assist in detecting and preventing customer account abuses by its Missouri registered agents, in particular, its supervisory activities relating to the suitability of purchases and sales of securities in the accounts of Missouri residents.

JURISDICTIONAL BASIS

28. Respondent and the Securities Division stipulate and agree that the Commissioner has jurisdiction over these matters pursuant to the Missouri Securities Act, Chapter 409, et al.

29. Respondent and the Securities Division stipulate and agree that the Commissioner has authority to enter this Consent Order pursuant to Section 409.408, RSMo 2000, which provides:

"[T]he commissioner shall have full power in each case to make such order or orders under this section as he may deem just and he may either prohibit the further sale by such persons of any securities connected with or related to said fraudulent or illegal practices or transaction, or he may fix the terms and conditions on which the sale of such securities may be made.and it is hereby made unlawful for any person having been served with any such order, or having knowledge of the issuance of said order, while said order remains in effect, either as originally issued or as modified, to violate any provisions thereof."

30. Respondent and the Securities Division stipulate and agree that the Commissioner has authority to censure Respondent pursuant to Â§409.204, RSMo 2000, which provides:

    The Commissioner may by order . . . revoke.bar or censure any registration. . . if he finds (1) that the order is in the public interest and (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:

    > (J) Has failed reasonably to supervise his agents or employees if he is a broker-dealer, or his adviser representatives or employees if he is an investment adviser.

ORDER

WHEREAS, the Commissioner, after consideration of the stipulations set forth above and on the consent of Respondent and the Securities Division, finds the following Order to be in the public interest, necessary for the protection of public investors and consistent with the provisions of Chapter 409, RSMo 2000.

NOW, THEREFORE, it is hereby ordered that:

1. For a period of two years:
    a. Respondent shall make available upon request by the Division all Missouri branch office reviews conducted by regulators including the U. S. Securities and Exchange Commission, the New York Stock Exchange, and the NASD and all correspondence with such regulators pertaining to these regulatory reviews.
    b. Respondent shall promptly report to the Division the name and Central Registration Depository ("CRD") number of each Missouri-based agent identified by the system referenced in item # 27(b) above warranting heightened supervision and thereby designating that agent for such heightened supervision.
    c. Respondent shall promptly report to the Division all material changes in Respondent's compliance supervisors with direct oversight of Missouri-based agents and branch offices.
2. Respondent, without admitting or denying any violation(s) of law, is ordered to Cease and Desist from violating, or materially aiding others in the violation of the securities laws by failing to adequately supervise its agents in the state of Missouri .
3. Respondent, without admitting or denying any violation(s) of law, is ordered to pay $300,000 to the Missouri Investor Education and Protection Fund. Such amount shall be immediately due and payable.
4. Respondent will pay its 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 13 TH DAY OF JUNE, 2005.

ROBIN CARNAHAN
SECRETARY OF STATE

DAVID B. COSGROVE
COMMISSIONER OF SECURITIES

Consented to by:

MARY S. HOSMER
ASSISTANT COMMISSIONER FOR ENFORCEMENT