

State of Missouri
Office of Secretary of State

Case No. AP-07-04

IN THE MATTER OF:

MICHAEL GLENN GRIMES; *and*
FINANCIAL SOLUTIONS &
ASSOCIATES, INC.,

Respondents.

Serve both at:

Suite 202, 12400 Olive Blvd.
St. Louis, Missouri 63141

**ORDER TO CEASE AND DESIST AND TO SHOW CAUSE WHY CIVIL PENALTIES
AND COSTS SHOULD NOT BE IMPOSED**

On January 25, 2007, the Enforcement Section of the Securities Division of the Office of Secretary of State, through Assistant Commissioner, Mary S. Hosmer, filed a Petition for Order to Cease and Desist and Order to Show Cause Why Civil Penalties and Cost Should Not Be Imposed. After reviewing the petition, the Commissioner issues the following Findings of Fact, Conclusions of Law and Order:

I. FINDINGS OF FACT

A. Respondents and Other Related Parties

1. Respondent Michael G. Grimes ("Grimes") is an insurance agent licensed in Missouri to sell life insurance, variable contracts, accident, and health insurance coverage. His business address is Suite 202, 12400 Olive Blvd., St. Louis, Missouri 63141.
2. Grimes is the president of Financial Solutions & Associates, Inc. ("FSI"). FSI is a Missouri corporation that purports to be a "fee-only financial planning firm" and has an address of Suite 202, 12400 Olive Blvd., St. Louis, Missouri 63141. FSI is not an NASD member firm.
3. From January 14, 2004, to November 2006, Grimes was formally engaged as a solicitor for Barrington Capital Management, Inc. ("Barrington"). Barrington has a business address of 470 Miller Road, Barrington, Illinois 60010, and Barrington's president is David Ware ("Ware").
4. Barrington is a federal covered investment adviser and has notice filed as a federal covered investment adviser in the State of Missouri. Barrington is on the Central Registration Depository System ("CRD") with number 105005. Barrington is not an NASD member firm.
5. Triumph Marketing, LLC ("Triumph") is a Colorado limited liability company and has a last known address of 4411 E. Kentucky Avenue, Glendale, Colorado 80246. Triumph is a financial marketing organization which received override commissions for sales of equity-indexed annuities ("EIAs") by Grimes and/or FSI.
6. During the period January 1, 2004, to November 2006, Grimes and FSI received commissions from various insurance companies for sales of EIAs.
7. As used herein, the term "Respondents" refers to Grimes and FSI.
8. From August 1979, until February 13, 2004, Grimes was a registered representative and an investment adviser representative in the State of Missouri with various broker-dealers. Grimes was registered through the CRD with number 841925.
9. Prior to his employment as a solicitor for Barrington, Grimes entered into three (3) separate Consent Orders with the Missouri Securities Division. Grimes was not prohibited from acting as a solicitor in these orders.
10. On March 4, 2005, in the last of these three orders (*In the Matter of Michael Glenn Grimes*, Consent Order No. AP-05-01), the Enforcement Section of the Missouri Securities Division alleged that Grimes had offered investment advice in the State of Missouri without benefit of registration. In the Order issued by the Commissioner of Securities, Grimes was prohibited from, among other things, offering investment advice regarding the purchase or sale of securities in or from the State of Missouri. In this order, Grimes was prohibited from applying for registration as a securities agent or investment adviser representative in the State of Missouri for five (5) years from the date of the Order. Grimes was further ordered to pay \$27,500 to the Missouri Secretary of State's Investor Education Fund.

B. More Money, Less Taxes Seminar

11. In or around early January 2006, a Missouri resident ("MRI") received a copy of the following flyer advertising an upcoming seminar sponsored by Grimes, FSI and Barrington:

"More Money, Less Taxes"

Learn how to protect your gains, and grow your nest egg

You are cordially invited to attend a FREE educational and Entertaining seminar with a complimentary light dessert following this ninety-minute presentation. Nothing will be sold.

This presentation will address the following issues:

- **LEARN:** How to beat the market only being invested 30% of the time.
- **MONEY:** How to get access to Dimensional Fund Advisors no load mutual funds.
- **INCOME:** How to increase the Income you earn and not run out.
- **SECURITY:** How to take advantage of market gains, while avoiding market losses.
- **TAXES:** How to reduce or eliminate taxes on Social Security, Capital Gains, and Investment Income.

- **HEALTH:** Extended illnesses now Average \$55K a year, so learn how to eliminate long-term care premiums.
- **LEARN:** How to hedge your accounts using inverse funds.

As a SPECIAL BONUS – learn how you can earn a Guaranteed 12.75% for the next 12 months.

**Come and find out for yourself why HUNDREDS of people
Have attended our workshops in the past 12 months!**

"More Money, Less Taxes" will be presented by
Michael Grimes, President of Financial Solutions & Associates, Inc. and
Dave Ware, President of Barrington Capital Management, Inc.

Do not miss this opportunity!

To secure seating, call our toll-free, 24-hour reservation line

1-800-243-[**], Ext. [**]**

DESSERT:

Thursday, January 26, 2006
7:00 p.m.

LOCATION:

Marriott St. Louis West
660 Maryville Centre Drive
Creve Coeur, MO 63141

[Emphasis in the original.]

12. On January 26, 2006, MR1 attended this seminar by Grimes, FSI, and Barrington in Creve Cour, Missouri. At that seminar Grimes made, in part, the following statements and/or claims:
- a. "My company is a wealth-planning firm [It is] a conflict of interest to work with a commissioned salesperson All accounts are discretionary accounts A flat fee is deductible; commissions aren't You are only charged a flat fee for our services; no commissions We are discretionary money managers Trust your assets with me and Dave Ware."
 - b. "Long-term capital gains are 15%; if you're holding long-term assets, give that some thought If you're making more than you need and your tax liability is large, roll assets to an annuity and save taxes It's important to stretch out your IRAs; roll your retirement assets out of your pensions and 401(k)s to 'stretch' IRA annuities One dollar doubled 20 times equals one million . . . inside a deferred account."
 - c. "No one really knows what the various costs are in a mutual fund Fund companies don't tell you about transaction costs; I have taken two hours to search a prospectus for all the costs. It would take the average person days A 'Buy and Hold' strategy doesn't make sense if the companies go out of business Annuity expenses are much lower than mutual fund expenses."
 - d. "I [Grimes] wouldn't think of doing anything less than full financial planning for my clients [David] Ware and I split the fees; we do not take any commissions off of any of the work we do or products we sell A portfolio review and financial plan is free; there is no charge for meetings or preparation of the plan; the only charge is when you decide to work with us and become a client Not one of our clients has ever lost any of their principal if they take our advice."

C. Preparation of Personalized Financial Plan

13. After the seminar, MR1 scheduled a private appointment with Grimes to have him prepare a financial plan for MR1. At that meeting, Grimes completed a "Confidential Investment Planning Guide" based on questions addressed to MR1. Although the guide was presented as the primary tool upon which MR1's financial plan would be based, the guide did not solicit adequate information regarding MR1's net worth, liquid net worth, tax bracket, current investment strategy, current portfolio diversification, risk tolerance, details concerning MR1's health/liability/long-term care insurance needs, nor future plans and goals. However, the guide did seek to identify MR1's assets.
14. During a second meeting held approximately 10 days later, Respondents presented MR1 with MR1's Personalized Financial Plan. In this Personalized Financial Plan, Respondents' recommendations included, in part, the following:
- a. That MR1's asset allocation should be 50% fixed and 50% equity;
 - b. That MR1 roll over a 403(b) annuity (with no surrender charges) to an equity-indexed annuity IRA at Fidelity and Guaranty (with a 10-year surrender charge period);
 - c. That MR1 roll over a second 403(b) annuity (with no surrender charges) to an annuity IRA at AnnuityCare; and
 - d. That MR1 liquidate 100% of MR1's Vanguard mutual funds and purchase Dimensional Fund Advisors' mutual funds through David Ware.
 - e. At that second meeting and again in an e-mail dated March 6, 2006, Respondent Grimes stated that MR1, together with Respondent Grimes, should contact the annuity and mutual fund companies in which MR1's assets were placed to initiate the rollover/transfer process for the funds. Respondent Grimes stated that he would "conference each and help [MR1] put in the instructions" to facilitate these transfers.

D. Marketing Materials

15. Marketing materials supplied to seminar participants and used by Grimes included the following:
- a. A brochure for Respondents [Exhibit A] stating, in part:

Michael G. Grimes is a Chartered Retirement Planning Counselor (CRPC) and President and CEO of Financial Solutions & Associates, Inc., a St. Louis-based wealth planning firm.

[Grimes's] role . . . is providing clients pre- and post-retirement financial planning services. These asset growth services include:

- personal financial planning

- investment allocation strategies
- retirement plan distribution analysis
- retirement income analysis

[Grimes'] Approach:

FIRST MEETING

The first step in the investment process is a meeting, typically in my office, in which we discuss a variety of matters relating to your financial situation. I will ask you to bring copies of bank and brokerage statements and information about other assets in order to provide you with a complete portfolio evaluation. We'll discuss your plans for the future and any special concerns you may have, such as caring for an elderly parent or minimizing taxes in the transfer of your estate. Together, we will develop a statement of your personal investment objectives. Your investment objectives will serve as the basis for your investment program. If you're not sure of your investment objectives, don't worry, I know the right questions to ask. This statement will also serve as a benchmark against which we will measure the performance of your portfolio.

SECOND MEETING

A week after our first meeting, we will meet again to review your investment objectives and answer any questions you may have. Depending upon your needs, I will present you a Complimentary Customized Financial Plan. During this meeting I will present you with proposed solutions to your financial concerns and my recommendations. Asset allocation will be addressed at this time. During our first and second meetings, and on an ongoing basis throughout our relationship, I will keep you informed on all matters affecting your portfolio. I will also provide as much education and information on the markets as you desire.

TELEPHONE COUNSELING

In the weeks and months following the implementation of your investment program, you will receive many documents in the mail, and you are encouraged to call me or my staff any time you receive something you don't understand. If a major financial event occurs in your life, such as a change in marital status, birth of a child or grandchild, sale of a home or business, or anticipated receipt of an inheritance or retirement distribution, it is important that you call us so we can properly plan for the event and adjust your portfolio, if necessary.

QUARTERLY REVIEW

At least quarterly I will schedule another meeting to review your financial goals, measure your account investment performance, and fine-tune your asset allocation to make sure you stay on track to achieve your investment objectives.

- b. A facsimile flyer promoting an investment with a "guaranteed 13.5% return" [Exhibit B]; and
- c. A website [\[1\]](#) indicating, in part, the following:
- (1) "Financial Solutions & Associates, Inc. is a fee-only financial planning firm . . . compensated solely by fees paid by their clients and [FSI does] not accept commissions or compensation from any other source. As Fee-Only planners, we believe there is a significant conflict of interest if an advisor stands to gain financially from the purchase of any investment or insurance product he or she recommends to the client . . ."
 - (2) "Fee-only investment management is the newest and most attractive way to pay for professional money management and is the type of arrangement recommended by many leading financial writers and experts . . ."
 - (3) "Financial Solutions & Associates, Inc. charges a reasonable, quarterly management fee based on the value of a client's account.

The main difference between a Stockbroker and us is that they make a living by charging their clients commissions. . . .

Stockbrokers often charge 1% - 2% per trade on stocks, and as much as 6% on mutual funds. Stockbrokers may also have hidden charges such as 12b-1 fees or surrender fees on mutual funds, surrender fees and bloated internal expenses on annuities, and heavy markups on products like unit trusts or bonds.

On the other hand, as a fee-only advisor, our compensation is a flat percentage of a client's account value. We do not earn any money from commissions, trailers, or markups. We earn money only if their account grows or if we gain new clients." [Exhibit C].

E. Additional Investigation by the Securities Division

16. A check of the records maintained by the Missouri Commissioner of Securities confirmed that Grimes was not registered as an investment adviser representative or a registered representative of a broker-dealer in the State of Missouri.
17. A check of the records maintained by the Missouri Commissioner of Securities confirmed that FSI was not registered as an investment adviser or as a broker-dealer in the State of Missouri.
18. On March 28, 2006, the Securities Division sent letters of inquiry to Grimes and Barrington stating that Grimes may have offered and may be offering investment advice and may have acted and may be currently acting as an investment adviser representative in direct violation of Section 409.4-404(a), RSMo. (Cum. Supp. 2005), and requesting, in part, the following information:
 - a. Grimes' employment arrangements with Barrington, including job description and compensation arrangements;
 - b. The seminars presented by Grimes, including the dates, list of attendees, and detailed description of the topics for each seminar; and
 - c. Records of all subsequent meetings held with any seminar participants, including the dates, discussion details, documents and/or financial plans prepared, and any recommendations made based on those documents and/or financial plans, which should include: (1) any recommendations made for the sale or rollover of mutual funds to purchase equity-indexed annuities; (2) recommendations made for the sale or rollover of variable or fixed annuities to purchase equity-indexed annuities; and (3) recommendations made for the sale or rollover of mutual funds, variable annuities, or fixed annuities to funds or programs provided by Barrington.
19. In his letter of March 22, 2006, by and through his attorney, and in subsequent letters, e-mails, and telephone calls in response to further requests from the Division, Grimes "vigorously" denied offering investment advice or acting as an investment adviser representative. Grimes further stated that, at each of the seminars he presented, he had spoken only to issues "other than investment advice."
20. For the period March 31, 2005, through June 30, 2006, Respondents received compensation from Barrington of over \$150,000.
21. In their response to this Division's March 7, 2006, letter of inquiry, Grimes and Barrington provided documentation reflecting attendance by twenty-seven (27) people at an October 20, 2005, seminar and attendance by thirty-six (36) people at a January 26, 2006, seminar. According to their response, these were the only seminars presented by Grimes and David Ware during the period from March 31, 2005, through March 22, 2006.
22. In November 2006, Grimes was terminated by Barrington. After this termination, Barrington contacted the Division regarding two Missouri residents ("MR2" and "MR3") regarding their securities accounts. MR2 and MR3 stated to Barrington and to an investigator with the Division that:
 - a. Grimes advised them to sell the securities in their accounts, which were held by Charles Schwab & Co., Inc. ("Schwab");
 - b. Grimes instructed the individuals to call Schwab to liquidate their accounts;
 - c. Grimes advised them to send the funds, via check, to Amerus Insurance Company to purchase an equity indexed annuity ("EIA");
 - d. Both MR2 and MR3 signed numerous documents but did not understand why Grimes had recommended this purchase or why the EIA suited their needs; and
 - e. Both MR2 and MR3 halted the transaction after speaking with Barrington.
23. In connection with the offering of advice and in connection with the offer to purchase or to sell investments Respondents, among other things:
 - a. presented seminar participants a way to earn a "guaranteed 12.75% for the next 12 months" without explaining how long the investor's funds would be tied up in the investment, the liquidity of the investment, or the interest rate after the initial 12-month period;
 - b. stated in seminar materials that "HUNDREDS of people have attended [Grimes and Ware's] workshops in the past 12 months" [emphasis in original] when this was not true;
 - c. stated to seminar participants that Respondents offered "full financial planning for [their] clients" when, in fact, Grimes was and is only licensed to sell insurance products in the State of Missouri and neither Respondent was registered to offer investment advice;

- d. stated in seminar materials that Respondents provided their clients pre-retirement and post-retirement financial planning services when, in fact, Grimes was and is only licensed to sell insurance products in the State of Missouri and neither Respondent was registered to offer investment advice;
 - e. stated to seminar participants and in seminar materials that Respondents are compensated solely by fees paid by clients and do not accept commissions or compensation from any other source without explaining how Respondents would be compensated for selling the equity-indexed annuities that they recommended;
 - f. stated on FSI's website that Respondents charged a reasonable, quarterly management fee based on the value of a client's account when, in fact, Grimes was and is only licensed to sell insurance products in the State of Missouri and neither Respondent was registered to offer investment advice;
 - g. stated on FSI's website there was a significant conflict of interest if an adviser stood to gain financially from the purchase of any investment or insurance product he recommended to the client without explaining how Respondents would be compensated for selling the EIAs that they recommended;
 - h. stated that the main difference between Respondents' services and a stockbroker's services was the manner of their compensation;
 - i. omitted to state that Respondents were not registered to offer, purchase or sell securities for the account of another in the State of Missouri;
 - j. omitted to state that FSI was not registered as an investment adviser in the State of Missouri;
 - k. omitted to state that Grimes was not registered as an investment adviser representative in the State of Missouri; and
 - l. omitted to state that Grimes was prohibited from offering investment advice in the State of Missouri.
24. An order is in the public interest and consistent with the purposes intended by this act. See Section 409.6-605(b), RSMo. (Cum. Supp. 2005).

II. CONCLUSIONS OF LAW

Statutory Provisions

25. Section 409.6-601(a), RSMo. (Cum. Supp. 2005), provides that the Missouri Securities Act of 2003 "shall be administered by the commissioner of securities"
26. Section 409.1-102(15), RSMo. (Cum. Supp. 2005), defines "Investment adviser" as "a person that, for compensation, engages in the business of advising others, either directly or through publications or writings, as the value of securities or the advisability of investing in, purchasing, or selling securities or that, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. The term includes a financial planner or other person that, as an integral component of other financially related services, provides investment advice to others for compensation as part of a business or that holds itself out as providing investment advice to others for compensation."
27. Section 409.1-102(16), RSMo. (Cum. Supp. 2005), defines "Investment adviser representative" as "an individual employed by or associated with an investment adviser or federal covered investment adviser and who makes any recommendations or otherwise gives investments advice regarding securities, manages accounts or portfolios of clients, determines which recommendation or advice regarding securities should be given, provides investment advice or holds herself or himself out as providing investment advice, receives compensation to solicit, offer, or negotiate for the sale of or for selling investment advice, or supervises employees who perform any of the foregoing."
28. Section 409.1-102(26), RSMo. (Cum. Supp. 2005), defines "Sale" to include, "every contract of sale, contract to sell, or disposition of, a security or interest in a security for value." That same section defines "offer to sell" as "every attempt or offer to dispose of, or solicitation of an offer to purchase, a security or interest in a security for value."
29. Section 409.4-403(a), RSMo. (Cum. Supp. 2005), provides that it is unlawful for a person to transact business in this state as an investment adviser unless the person is registered under this act as an investment adviser or is exempt from registration as an investment adviser under subsection (b).
30. Section 409.4-403(d), RSMo. (Cum. Supp. 2005), provides that it is unlawful for an investment adviser to employ or associate with an individual required to be registered under this act as an investment adviser representative who transacts business in this state on behalf of the investment adviser unless the individual is registered under Section 409.4-404(a), RSMo. (Cum. Supp. 2005), or is exempt from registration under Section 409.4-404(b), RSMo. (Cum. Supp. 2005).
31. Section 409.4-404(a), RSMo. (Cum. Supp. 2005), provides that it is unlawful for an individual to transact business in this state as an investment adviser representative unless the individual is registered under this act as an investment adviser representative or is exempt from registration as an investment adviser under subsection (b).

32. Section 409.5-501, RSMo. (Cum. Supp. 2005), provides that it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly:
- (1) To employ a device, scheme, or artifice to defraud;
 - (2) To make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it is made, not misleading; or
 - (3) To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.
33. Section 409.5-502(a), RSMo. (Cum. Supp. 2005), provides, in part, that it is unlawful for a person that advises others for compensation, either directly or indirectly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities or that, for compensation and as part of a regular business, issues or promulgates analyses or reports relating to securities:
- (1) To employ a device, scheme, or artifice to defraud another person; or
 - (2) To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.
34. Section 409.5-508, RSMo. (Cum. Supp. 2005), provides:
- (a) A person that willfully violated this act, or rule adopted or order issued under this act . . . shall be fined not more than one million dollars or imprisoned not more than ten years, or both
 - (b) The attorney general or the proper prosecuting attorney with or without a reference from the commissioner may institute criminal proceedings under this act.
35. Section 409.6-604(a), RSMo. (Cum. Supp. 2005), provides:
- If the commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice or course of business constituting a violation of this act or a rule adopted or order issued under this act or that a person has materially aided, is materially aiding, or is about to materially aid an act, practice, or course of business constituting a violation of this act or a rule adopted or order issued under this act, the commissioner may:
- (1) Issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary and appropriate to comply with this act;
 - (2) Issue an order denying, suspending, revoking, or conditioning the exemptions for a broker-dealer under Section 409.4-401 (b) (1) (D) or (F) or an investment advisor under Section 409.4-403(b)(1)(C); or
 - (3) Issue an order under Section 409.2-204.
36. Section 409.6-604(d), RSMo. (Cum. Supp. 2005), provides:
- In a final order . . . the commissioner may impose a civil penalty up to one thousand dollars for a single violation or up to ten thousand dollars for more than one violation.
37. Section 409.6-604(e), RSMo. (Cum. Supp. 2005), provides:
- In a final order, the commissioner may charge the actual cost of an investigation or proceeding for a violation of this act or a rule adopted or order issued under this act. These funds may be paid into the investor education and protection fund.
38. The Missouri Commissioner of Securities is empowered to issue such orders as he may deem just. Section 409.6-604(a), RSMo. (Cum. Supp. 2005).

Count I

Multiple Violations by Respondent FSI of Transacting Business as an Unregistered Investment Adviser

39. Paragraphs 1 through 38 are incorporated by reference as though fully set forth herein.
40. At all times relevant, records maintained by the Missouri Commissioner of Securities contained no registration nor granted exemption as an investment adviser for Respondent FSI in the State of Missouri.
41. Respondent FSI held itself out as providing investment advice to others for compensation by, among other things, stating in its website that:

- a. Financial Solutions & Associates, Inc. is a fee-only financial planning firm . . . compensated solely by fees paid by their clients and do not accept commissions or compensation from any other source. As Fee-Only planners, we believe there is a significant conflict of interest if an advisor stands to gain financially from the purchase of any investment or insurance product he or she recommends to the client”
 - b. Fee-only investment management is the newest and most attractive way to pay for professional money management and is the type of arrangement recommended by many leading financial writers and experts. . . .”
 - c. Financial Solutions & Associates, Inc. charges a reasonable, quarterly management fee based on the value of a clients [sic] account . . . As a fee-only advisor, our compensation is a flat percentage of a client’s account value. We do not earn any money from commissions, trailers, or markups. We earn money only if their account grows or if we gain new clients.”
42. In addition, Respondent FSI provided investment advice regarding securities by, among other things, preparing a personal financial plan for MR1 that, among other things, advised MR1 to sell mutual funds currently held in the account and to purchase other mutual funds. Mutual funds come under the definition of “securities” contained in Section 409.1-102(28), RSMo. (Cum. Supp. 2005).
 43. Respondent FSI received compensation from Barrington for its services.
 44. Respondent FSI’s transaction of business as an investment adviser without registration or exemption, and its actions of holding itself out as providing investment advice for compensation, or in providing investment advice regarding securities and receiving compensation for the same, is a violation of Section 409.4-403(a), RSMo. (Cum. Supp. 2005).
 45. Respondent FSI’s action of transacting business as an investment adviser when it was not registered as an investment adviser constitutes an illegal act, practice, or course of business under Section 409.6-604(a), RSMo. (Cum. Supp. 2005).

Count II

Multiple Violations by Respondent Grimes of Transacting Business as an Unregistered Investment Adviser Representative

46. Paragraphs 1 through 38 are incorporated by reference as though fully set forth herein.
47. At all times relevant, records maintained by the Missouri Commissioner of Securities contained no registration or granted exemption as an investment adviser representative for Respondent Grimes or as an investment adviser for Respondent FSI in the State of Missouri.
48. Respondent Grimes was employed or associated with Respondent FSI. Respondents received compensation for these services from Barrington. Grimes held himself out as providing investment advice by stating, among other things, that:
 - a. He worked for a discretionary money manager;
 - b. He “wouldn’t think of doing anything less than full financial planning for my clients;”
 - c. He would meet with clients to “review your financial goals, measure your account investment performance, and fine-tune your asset allocation to make sure you stay on track to achieve your investment objectives;”
 - d. He would prepare a personalized financial plan;
 - e. He worked for FSI, a “fee-only financial planning firm,” that was compensated solely by fees paid by their clients, and did not accept commissions or compensation from any other source; and/or
 - f. He compared the services he and FSI provided to the services provided by stockbrokers.
49. Respondent Grimes provided investment advice through FSI regarding securities by advising MR1, among other things, to sell mutual funds that MR1 currently had and advising MR1 to purchase other mutual funds through Barrington. The personalized financial plan was prepared on FSI letterhead. Mutual funds come under the definition of “securities” contained in Section 409.1-102(28), RSMo. (Cum. Supp. 2005).
50. Respondent Grimes’ actions of transacting business in the State of Missouri as an investment adviser representative without being properly registered or properly exempt is a violation of Section 409.4-404(a), RSMo. (Cum. Supp. 2005).
51. Respondent Grimes’ action of transacting business in the State of Missouri as an investment adviser representative without being properly registered or properly exempt constitutes an illegal act, practice, or course of business under Section 409.6-604(a), RSMo. (Cum. Supp. 2005).

Count III

**Violation by Respondent FSI of Employing an Unregistered
Investment Adviser Representative**

52. Paragraphs 1 through 38 are incorporated by reference as though fully set forth herein.
53. At all times relevant, records maintained by the Missouri Commissioner of Securities contained no registration nor granted exemption for Respondent Grimes as an investment adviser representative in the State of Missouri.
54. Respondent Grimes held himself out as providing investment advice or provided investment advice regarding securities, and such actions constitute transacting business as an investment adviser representative in the State of Missouri.
55. Respondent Grimes was required to be registered as an investment adviser representative in the State of Missouri pursuant to Section 409.4-404, RSMo. (Cum. Supp. 2005).
56. Respondent FSI violated Section 409.4-403(d), RSMo. (Cum. Supp. 2005), when it employed Respondent Grimes when he was required to register as an investment adviser representative but was not.
57. Respondent FSI employed Respondent Grimes, who was required to be registered as an investment adviser representative and who transacted business in this state on behalf of FSI in violation of Section 409.4-403(d), RSMo. (Cum. Supp. 2005), and this constitutes an illegal act, practice, or course of business under Section 409.6-604(a), RSMo. (Cum. Supp. 2005).

Count IV

**Multiple Violations of Engaging in an Act, Practice, or Course of Business that Would Operate as a Fraud or
Deceit upon Another Person**

58. Paragraphs 1 through 38 are incorporated by reference as though fully set forth herein.
59. Respondents advised others for compensation, either directly or indirectly, as to the value of securities or the advisability of investing in, purchasing or selling securities.
60. In offering this investment advice, Respondents engaged in an act, practice, or course of business that would operate as a fraud or deceit upon MR1 and other attendees at the seminar by:
 - a. stating that “HUNDREDS of people have attended [Grimes’ and Ware’s] workshops in the past 12 months” [emphasis in original] when this was not true;
 - b. stating to MR1 that Respondents offered “full financial planning for their clients” when, in fact, Respondent Grimes is not registered to sell securities nor to offer investment advice and is only licensed to sell insurance products in the State of Missouri;
 - c. stating that Respondents provided clients pre-retirement and post-retirement financial planning services when, in fact, Respondent Grimes was and is only licensed to sell insurance products in the State of Missouri and neither Respondent was registered to offer investment advice;
 - d. offering seminar participants a way to earn a “guaranteed 12.75% for the next 12 months” without explaining how long the investor’s funds would be tied up in the investment, the liquidity of the investment, or the interest rate after the initial 12-month period;
 - e. stating that Respondents were compensated solely by fees paid by clients and that they do not accept commissions or compensation from any other source without explaining how Respondents would be compensated for selling the equity-indexed annuities that they recommended;
 - f. stating that Respondents charged a reasonable, quarterly management fee based on the value of a client’s account when, in fact, Respondent Grimes was and is only licensed to sell insurance products in the State of Missouri and neither Respondent was registered to offer investment advice;
 - g. omitting to state that Respondent Grimes was not registered to offer, purchase, or sell securities for the account of another in the State of Missouri;
 - h. omitting to state that Respondent FSI was not registered as an investment adviser in the State of Missouri; and
 - i. omitting to state that Respondent Grimes was not registered as an investment adviser representative in the State of Missouri.
61. The Respondents’ actions described in the paragraph immediately above constitute a violation of Section 409.5-502, RSMo. (Cum. Supp. 2005), and constitute an illegal act, practice, or course of business under Section 409.6-604(a), RSMo. (Cum. Supp. 2005).

Count V

Multiple Violations of Omitting to State a Material Fact in Connection with the Offer to Purchase or Sale of a Security

62. Paragraphs 1 through 38 are incorporated by reference as though fully set forth herein.
63. Respondents, in connection with the offer to purchase or sell securities, omitted to disclose the following material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading to MRI:
- a. Grimes and FSI were not registered to offer, purchase, or sell securities for the account of another in the State of Missouri;
 - b. FSI was not registered as an investment adviser in the State of Missouri; and
 - c. Grimes was not registered as an investment adviser representative in the State of Missouri.
64. Respondents' actions in omitting to disclose material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, as described in the paragraph immediately above, constitute a violation of Section 409.5-501(2), RSMo. (Cum. Supp. 2005), and constitute an illegal act, practice, or course of business under Section 409.6-604(a), RSMo. (Cum. Supp. 2005).

Count VI

Multiple Violations of Making an Untrue Statement of a Material Fact in Connection with the Offer to Purchase or Sale of a Security

65. Paragraphs 1 through 38 are incorporated by reference as though fully set forth herein.
66. Respondents, in connection with the offer to purchase or to sell securities, made untrue statements of material fact to Missouri residents when they stated that they were compensated solely by fees paid by clients and did not accept commissions or compensation from any other source, without explaining how Respondents would be compensated for selling the equity-indexed annuities that they advertised.
67. Respondents violated Section 409.5-501(2), RSMo. (Cum. Supp. 2005), when they made the untrue statements described in the paragraph immediately above.
68. Making an untrue statement of material fact, in connection with the offer, sale or purchase of a security, constitutes an illegal act, practice, or course of business under Section 409.6-604(a), RSMo. (Cum. Supp. 2005).

Count VII

Multiple Violations of Willfully Violating an Order Issued by the Commissioner

69. Paragraphs 1 through 38 are incorporated by reference as though fully set forth herein.
70. Respondent Grimes was prohibited from offering investment advice in the State of Missouri in a Consent Order issued by the Commissioner, *In the Matter of Michael Glenn Grimes*, Consent Order No. AP-05-01.
71. On or about March 2005, Respondent Grimes signed this Consent Order.
72. Respondent Grimes' action in holding himself out as providing investment advice, or in providing investment advice regarding securities, constitutes offering investment advice in the State of Missouri and is a violation of this Consent Order issued by the Commissioner and is a violation of Section 409.5-508, RSMo. (Cum. Supp. 2005), and constitutes an illegal act, practice, or course of business under Section 409.6-604(a), RSMo. (Cum. Supp. 2005).

III. ORDER

NOW THEREFORE, it is hereby ordered that Respondents, their agents, employees and all other persons participating in or about to participate in the above described violations with knowledge of this Order are prohibited from:

- A. violating or materially aiding in any violation of Section 409.4-403(a), RSMo. (Cum. Supp. 2005), by transacting business as an investment adviser without being properly registered or operating under a lawful exemption.
- B. violating or materially aiding in any violation of Section 409.4-403(d), RSMo. (Cum. Supp. 2005), by employing or associating with an individual required to be registered under this act as an investment adviser representative but who is not so registered or lawfully exempt.

- C. violating or materially aiding in any violation of Section 409.4-404(a), RSMo. (Cum. Supp. 2005), by transacting business as an investment adviser representative without being properly registered or lawfully exempt from doing so, such prohibited transactions and activities to include: 1) making any recommendations or otherwise offering investment advice regarding the purchase or sale of securities in or from the State of Missouri; 2) managing accounts or portfolios of clients; 3) determining which recommendations or advice regarding securities should be given; 4) providing investment advice or holding oneself out as providing investment advice; 5) receiving compensation to solicit, offer, or negotiate for the sale of or for selling investment advice; and 6) or supervising any employee who performs any of the foregoing.
- D. violating or materially aiding in any violation of Section 409.5-501, RSMo. (Cum. Supp. 2005), by, in connection with the offer to sell or purchase securities, making untrue statements of material facts or omitting to state material facts necessary in order to make statements made, in the light of the circumstances under which they were made, not misleading.
- E. violating or materially aiding in any violation of Section 409.5-502(a), RSMo. (Cum. Supp. 2005), by, in connection with advice given to others for compensation, either directly or indirectly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities or, for compensation and as part of a regular business, issuing or promulgating analyses or reports relating to securities, engaging in an act, practice or course of business that would operate as a fraud or deceit upon another person.
- F. violating or materially aiding in any violation of Section 409.5-508, RSMo. (Cum. Supp. 2005), by willfully violating an order issued under this act.
- G. violating or materially aiding in any violation of Section 409.4-404(a), RSMo. (Cum. Supp. 2005), by receiving compensation to solicit, offer, or negotiate for the sale of or for selling investment advice.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2005), the Commissioner will determine whether to grant the Enforcement Division's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against Respondent FSI for more than one violation of Section 409.4-403(a), RSMo. (Cum. Supp. 2005), in a final order, unless Respondent FSI requests a hearing and shows cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2005), the Commissioner will determine whether to grant the Enforcement Division's petition for an imposition of a civil penalty of up to one thousand dollars (\$1,000) against Respondent FSI for violation of Section 409.4-403(d), RSMo. (Cum. Supp. 2005), in a final order, unless Respondent requests a hearing and shows cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2005), the Commissioner will determine whether to grant the Enforcement Division's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against Respondent Grimes for more than one violation of Section 409.4-404(a), RSMo. (Cum. Supp. 2005), in a final order, unless Respondent requests a hearing and shows cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2005), the Commissioner will determine whether to grant the Enforcement Division's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against each Respondent for more than one violation of Section 409.5-501, RSMo. (Cum. Supp. 2005), in a final order, unless Respondents request a hearing and show cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2005), the Commissioner will determine whether to grant the Enforcement Division's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against each Respondent for more than one violation of Section 409.5-502(2), RSMo. (Cum. Supp. 2005), in a final order, unless Respondents request a hearing and show cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2005), the Commissioner will determine whether to grant the Enforcement Division's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against Respondent Grimes for more than one violation of Section 409.5-508(a), RSMo. (Cum. Supp. 2005), in a final order, unless Respondent Grimes requests a hearing and shows cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that as the Enforcement Section has petitioned for an award of the costs of investigation against Respondents in this proceeding, the Commissioner will issue a final order pursuant to Section 409.6-604(e), RSMo. (Cum. Supp. 2005), awarding an amount to be determined after review of evidence submitted by the Enforcement Section unless Respondents request a hearing and show cause why an award should not be made.

IT IS FURTHER ORDERED that, pursuant to Section 409.5-508, RSMo. (Cum. Supp. 2005), the Commissioner will refer this matter to the Attorney General or other proper prosecuting attorney for Respondent Grimes' willful violation of an order issued by the Commissioner of Securities.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 7TH DAY OF FEBRUARY, 2007.

State of Missouri
Office of Secretary of State

ROBIN CARNAHAN
SECRETARY OF STATE

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

Case No. AP-07-04

IN THE MATTER OF:

MICHAEL GLENN GRIMES; *and*
FINANCIAL SOLUTIONS &
ASSOCIATES, INC.,

Respondents.

Serve both at:

Suite 202, 12400 Olive Blvd.
St. Louis, Missouri 63141

NOTICE

TO: Respondents and any unnamed representatives aggrieved by this Order:

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to Section 409.6-604(b), RSMo. (Cum. Supp. 2005), and 15 CSR 30-55.020.

A request for a hearing must be mailed or delivered, in writing, to:

Matthew Kitzi
Commissioner of Securities
Office of the Secretary of State
Missouri State Information Center, Room 229
600 West Main Street
Jefferson City, Missouri, 65102

CERTIFICATE OF SERVICE

I hereby certify that on this 7th day of February, 2007, a copy of the foregoing Order filed in the above styled case was mailed certified U.S. Mail, postage prepaid to Respondents at the below listed addresses.

Michael Glenn Grimes
12400 Olive Blvd., Suite 202
St. Louis, MO 63141

Financial Solutions & Associates, Inc.
12400 Olive Blvd., Suite 202
St. Louis, MO 63141

John Hale
Specialist

[1] Available at <http://finsolinc.com>. This website was amended sometime in the last part of 2006.