

**STATE OF NORTH DAKOTA**  
**SECURITIES DEPARTMENT**

**In the Matter of First Union Securities, )**  
Inc., later known as Wachovia Securities, )  
Inc., now known as Wachovia Securities, ) **CONSENT ORDER**  
LLC (CRD #19616), )  
Respondent. )

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The North Dakota Securities Commissioner ("Commissioner") has advised the Respondent, First Union Securities, Inc. ("First Union"), later known as Wachovia Securities, Inc. ("WSI"), and now known as Wachovia Securities, LLC, that the Commissioner is prepared to commence formal action pursuant to North Dakota Century Code Chapter 10-04 based on the following findings:

1. Respondent is a securities dealer headquartered in Richmond, Virginia. Respondent is, and for all times relevant to this matter, has been registered as a broker-dealer with the North Dakota Securities Department ("Department").
2. Ross O. Haugen ("Haugen") was a registered agent of First Union from May 15 2001, until June 15, 2002, when First Union merged into WSI. Haugen was registered agent of WSI from June 15, 2002, until July 31, 2002. During the period of his employment by First Union and WSI, Haugen worked at a branch office located in Grand Forks, North Dakota.
3. From December 2001 to July 2002, Respondent, by and through its agent, Haugen, engaged in the sale of securities through options transactions in the accounts of several customers. In connection with the options transactions, Respondent, by and through its agent, Haugen, purchased high concentrations of certain securities in the accounts of those same customers.
4. With regard to the transactions described above, Haugen engaged in transactions that were not suitable based on the investment objectives and risk temperaments of the investors. These activities constitute violations of N.D. Admin. Code § 73-02-09-02(3).
5. Respondent did not properly supervise its agent, Haugen, with regard to the activity described above.
6. Pursuant to N.D.C.C. § 10-04-16, when it shall appear to the Commissioner that any person has engaged in, or is engaging in, or is about to engage in any act or practice which is declared illegal in this chapter, the Commissioner may issue any order and collect civil penalties against any person found in an administrative action to have violated any provision of the chapter in an amount not to exceed \$10,000 for each violation. The violations described above are sufficient grounds for the Commissioner to assess civil penalties against the Respondent pursuant to N.D.C.C. § 10-04-16(1).
7. Respondent has entered into settlement agreements with four of its clients based on losses that the clients incurred as a result of the trading activity described above.

8. Respondent has agreed, with respect to five additional former clients, to do the following:

a. No later than ten calendar days after receiving notice that the Consent Order is final, Respondent shall send correspondence to the client, in a form acceptable to the Securities Department, requesting that the client review the client's account(s) and notify Respondent of any questions or concerns the client may have regarding the activity in such account(s).

b. With respect to any and all responses received in response to such correspondence, Respondent shall attempt to resolve any sales practice issues through its normal dispute resolution process. If no resolution is reached, Respondent agrees that it will not raise the statute of limitations, eligibility rule, or any other time-related restriction as a defense to any claims subsequently asserted by the client in any judicial or arbitral forum, unless the client fails to initiate legal or arbitral proceedings on such claims within one calendar year after Respondent received the client's initial response to the correspondence required in subparagraph a, in which event Respondent shall be permitted to assert such defenses.

c. Respondent agrees to copy the Securities Department on all correspondence provided by the client and all correspondence sent to the client, during the dispute resolution process, including the initial correspondence required by subparagraph a, within ten days of receipt of client correspondence, and within ten days of issuance of client correspondence.

9. As evidenced by the Consent to Entry of Order, which is incorporated by reference, Respondent acknowledges its rights to a hearing on this matter and waives its rights to a hearing and to present arguments to the Commissioner.

10. Respondent and the Commissioner mutually acknowledge and agree that this Consent Order resolves all claims the Commissioner has or may have against Respondent related to its supervision of Haugen during his employment by First Union and WSI.

11. The Consent Order is necessary and appropriate in the public interest and for the protection of investors.

**NOW, THEREFORE, IT IS ORDERED, THAT:**

1. Respondent shall properly supervise the activities of its agents with regard to all securities related activity in North Dakota.

2. Respondent shall pay a civil penalty of \$75,000, made payable to the North Dakota Securities Department, pursuant to N.D.C.C. § 10-04-16(1).

3. Respondent shall comply with the terms of this Consent Order, and is specifically Ordered to comply with the agreement outlined in paragraph 8 of this Consent Order.

4. This Order shall be effective upon signature of the Commissioner.

Signed and Sealed this 19<sup>th</sup> day of June, 2007.



*[Handwritten signature of Karen J. Tyler]*

Karen J. Tyler, Securities Commissioner  
North Dakota Securities Department  
State Capitol-5th Floor  
600 East Boulevard Ave.  
Bismarck, ND 58505-0510  
(701) 328-2910

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**CONSENT TO ENTRY  
OF ORDER**

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Based on mutual concessions and a willingness to resolve all matters discussed in the foregoing Consent Order, the undersigned person, on behalf of the Respondent, states that:

- a. Respondent has read the foregoing Consent Order, and knows and fully understand its contents and effects.
- b. Respondent has been advised of its rights to a hearing with regard to this matter, and has specifically waived its rights to a hearing.
- c. Respondent has been advised that any willful violation of this order is a Class B Felony pursuant to N.D.C.C. § 10-04-18(1) and is punishable by a \$10,000 fine and 10 years' imprisonment, with respect to a natural person, pursuant to N.D.C.C. § 12.1-32-01(3) or by a \$35,000 fine with respect to an organization, pursuant to N.D.C.C. § 12.1-32-01.1(2).
- d. The foregoing Consent Order constitutes the entire settlement agreement between the Respondent and the Securities Commissioner, there being no other promises or agreements, either expressed or implied.
- e. Respondent neither admits nor denies the factual determinations of the Commissioner, however, Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in the Consent Order or create the impression that the Consent Order is without factual basis. Nothing in the preceding sentence affects Respondent's testimonial obligations or its right to take legal or factual positions in litigation, arbitration, or other proceeding in which the Commissioner or the Department is not a party.
- f. Respondent consents to entry of the foregoing Consent Order by the Commissioner, and does so willingly for the purpose of resolving the issues described in the foregoing Consent Order.

g. Each capitalized term herein shall have the meaning set forth in the Consent Order.

Dated this 16<sup>th</sup> day of April, 2007.

Wachovia Securities, LLC  
901 East Byrd Street  
Richmond, VA 23219

James E. Hays

By: [Signature]

Its: Managing Director, President - Private Client Group

Subscribed and Sworn before me this 16<sup>th</sup> day of April, 2007.

[Signature]  
Notary Public  
State: Virginia County: City Richmond  
My Commission Expires: June 30, 2008

(Notary Seal)