

FILED

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES 2013 JAN -8 PM 2: 33

COMMONWEALTH OF PENNSYLVANIA	:	BANKING
DEPARTMENT OF BANKING AND	:	ADMINISTRATIVE PROCEEDING
SECURITIES, BUREAU OF SECURITIES	:	DOCKET NO. 2012-09-12
LICENSING, COMPLIANCE AND	:	
ENFORCEMENT	:	DOCKET No. 120006 (SEC)
v.	:	
STATE FARM VP MANAGEMENT CORP.*	:	
ANDREW GERARD PICCUTA	:	

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities ("Department"), Bureau of Securities Licensing, Compliance and Enforcement ("Bureau") has conducted an investigation of the business practices of State Farm VP Management Corp. ("SFVPMC") and its officers and employees. Based on the results of its investigation, the Bureau has concluded that SFVPMC has operated in violation of the Pennsylvania Securities Act of 1972, 70 P.S. § 1-101 et. seq. ("1972 Act"). SFVPMC, in lieu of litigation, and without admitting or denying the allegations herein, and intending to be legally bound, hereby agrees to the terms of this Consent Agreement and Order ("Order").

BACKGROUND

1. The Department is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce the 1972 Act.
2. The Bureau is primarily responsible for administering and enforcing the 1972 Act for the Department.

* This Consent Agreement and Order applies only to State Farm VP Management Corp.

3. SFVPMC, CRD #43036, was, at all times material herein, a Delaware corporation with an address at One State Farm Plaza, Bloomington, Illinois 61710.

4. At all times material herein, SFVPMC was in the business of effecting transactions in securities in Pennsylvania as a "broker-dealer" within the meaning of Section 102(e) of the 1972 Act 70 P.S. § 1-102(e).

5. From in or about February 2001 through the present, SFVPMC was registered pursuant to Section 301 of 1972 Act, 70 P.S. § 1-301, as a broker-dealer.

6. At all times material herein, SFVPMC maintained offices and conducted business in Pennsylvania.

7. At all times material herein, SFVPMC contracted with Andrew Gerard Piccuta ("Piccuta") who was registered as an agent pursuant to Section 301 of 1972 Act, 70 P.S. § 1-301. Piccuta had an office at 1614 Highland Avenue, New Castle, Pennsylvania 16105. At all times material herein, Piccuta owned the building at 1614 Highland Avenue, New Castle, Pennsylvania 16105 ("Building").

8. From October 2007 through March 2012, Piccuta rented second floor, commercial office space of the Building to HLI, Inc. ("HLI") while maintaining his office for SFVPMC on the first floor of the Building. At all times material herein, there were no other Building tenants.

9. At all times material herein, HLI was offering and selling unregistered securities in Pennsylvania.

10. In 2011-2012, Staff of the Department conducted an examination of Piccuta as well as an investigation into the offers and sales of HLI securities. In doing so, Staff of the Department acquired evidence that Piccuta (1) entered into a lease agreement with HLI; (2) received \$6,000.00 from HLI; (3) was actively involved in the promotion and development of the

HLI business; (4) was a long-time personal friend of the proprietor of HLI; (4) was, himself, an investor in HLI; and (5) failed to provide written notice to SFVPMC regarding his business activity with HLI.

11. At all times material herein, Piccuta was engaging in an "outside business activity," as that term is defined by NASD Rule 3030/FINRA (proposed) Rule 3270. In particular, FINRA Rule 3270 requires:

No registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such form as specified by the member.

12. At all times material herein, Piccuta had not reported his business activity with HLI as an outside business activity to SFVPMC.

VIOLATION

13. With the information set forth in paragraphs 3 through 12 above, SFVPMC failed to reasonably supervise one agent whose acts and conduct form a basis to sanction SFVPMC pursuant to Section 305(a)(vii) of the 1972 Act, 70 P.S. § 1-305(a)(vii).

AUTHORITY

14. Because SFVPMC has failed to reasonably supervise an agent pursuant to Section 305(a)(vii) of the 1972 Act, the Department has the authority to deny, suspend, revoke or condition any registration of SFVPMC or censure SFVPMC.

15. Because SFVPMC has failed to reasonably supervise an agent pursuant to Section 305(a)(vii) of the 1972 Act, the Department has the authority to impose an administrative assessment of up to \$100,000 for each act or omission that constitutes a violation, and also order SFVPMC to pay the costs of the investigation, *see* 70 P.S. § 1-602.1(c)(1)(i) and 70 P.S. § 1-602.1(b).

RELIEF

16. Within 30 days of the Effective Date of this Order, as defined in Paragraph 28, SFVPMC shall pay the Department an administrative assessment in the amount of \$75,000. Payment shall be made by certified check or money order made payable to the "Department of Banking and Securities" and shall be mailed or delivered, in person, to the Bureau of Securities Licensing, Compliance and Enforcement located at 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

17. Within 30 days of the Effective Date of this Order, as defined in Paragraph 28, SFVPMC shall pay the Department investigative and legal costs in the amount of \$10,000. Payment shall be made by certified check or money order made payable to the "Department of Banking and Securities" and shall be mailed or delivered, in person, to the Bureau of Securities Licensing, Compliance and Enforcement located at 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

18. State Farm VP Management Corp. is ORDERED to comply with the 1972 Act, and Regulations adopted by the Department, and in particular Section 305(a)(vii), 70 P.S. § 1-305(a)(vii).

19. Should State Farm VP Management Corp. fail to pay the costs and the assessment as set forth in paragraphs 16 and 17 above, the sanctions set forth elsewhere in the Order shall continue in full force and effect until full payment is made. However, this provision shall not be

construed as affording State Farm VP Management Corp. the option of either paying the costs and the assessment or being indefinitely subjected to the sanctions.

20. Should State Farm VP Management Corp. fail to comply with any and all provisions of this Order, the Department may impose additional sanctions and costs and seek other appropriate relief subject to State Farm VP Management Corp.'s right to a hearing pursuant to the 1972 Act.

FURTHER PROVISIONS

21. Consent. SFVPMC hereby knowingly, willingly, voluntarily and irrevocably consents to the entry of this Order pursuant to the Bureau's authority under the 1972 Act and agrees that it understands all of the terms and conditions contained herein. SFVPMC, by voluntarily entering into this Order, waives any right to a hearing or appeal concerning the terms, conditions and/or penalties set forth in this Order.

22. Entire Agreement. This Order contains the entire agreement between the Department and SFVPMC. There are no other terms, obligations, covenants, representations, statements, conditions, or otherwise, of any kind whatsoever concerning this Order. This Order may be amended in writing by mutual agreement by the Department and SFVPMC.

23. Binding Nature. The Department, SFVPMC, and all officers, owners, directors, employees, heirs and assigns of SFVPMC intend to be and are legally bound by the terms of this Order.

24. Counsel. This Order is entered into by the parties upon full opportunity for legal advice from legal counsel.

25. Effectiveness. SFVPMC hereby stipulates and agrees that the Order shall become effective on the date that the Bureau executes the Order (“Effective Date”).

26. Other Enforcement Action.

(a) The Department reserves all of its rights, duties, and authority to enforce all statutes, rules and regulations under its jurisdiction against SFVPMC in the future regarding all matters not resolved by this Order.

(b) SFVPMC acknowledges and agrees that this Order is only binding upon the Department and not any other local, state or federal agency, department or office regarding matters within this Order.

27. Authorization. The parties below are authorized to execute this Order and legally bind their respective parties.

28. Counterparts. This Order may be executed in separate counterparts, by facsimile and by PDF.

29. Titles. The titles used to identify the paragraphs of this document are for the convenience of reference only and do not control the interpretation of this document.

30. Finding. The Department finds that it is necessary and appropriate in the public interest and for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the 1972 Act to issue this Order.

WHEREFORE, in consideration of the foregoing, including the recital paragraphs, the Commonwealth of Pennsylvania, Department of Banking and Securities, Bureau of Securities Licensing, Compliance and Enforcement and State Farm VP Management Corp., intending to be legally bound, do hereby execute this Consent Agreement and Order.

FOR THE COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES
BUREAU OF SECURITIES LICENSING, COMPLIANCE AND ENFORCEMENT

Aimee Toth
Deputy Secretary for Securities

Date: January 7, 2013

FOR STATE FARM VP MANAGEMENT CORP.



(Officer Signature)
Thomas Loftus
(Print Officer Name)
Chief Compliance Officer
(Title)

Date: 12/18/2012