

**COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF THE SECRETARY OF THE COMMONWEALTH  
SECURITIES DIVISION  
ONE ASHBURTON PLACE, ROOM 1701  
BOSTON, MASSACHUSETTS 02108**

IN THE MATTER OF:	)	
	)	
	)	
ELIZABETH HUGHES,	)	
GREGORY FELDEN, and	)	
IFC HOLDINGS, INC.,	)	
	)	
RESPONDENTS.	)	Docket No. E-2018-0132
	)	

**ADMINISTRATIVE COMPLAINT**

**I. PRELIMINARY STATEMENT**

The Enforcement Section of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth (the “Enforcement Section” and the “Division,” respectively) files this Administrative Complaint (the “Complaint”) to commence an adjudicatory proceeding against Respondents Elizabeth Hughes, Gregory Felden, and IFC Holdings, Inc. (collectively “Respondents”) for violations of MASS. GEN. LAWS ch. 110A, the Massachusetts Uniform Securities Act (the “Act”), and the regulations promulgated thereunder at 950 MASS. CODE REGS. 10.00 – 14.413 (the “Regulations”). The Enforcement Section alleges that Respondents engaged in acts and practices in violation of Sections 101, 201, and 204 of the Act and Regulations by making unsuitable recommendations and material misrepresentations in connection with the sale of an annuity to at least one Massachusetts investor.

The Enforcement Section seeks an order: 1) finding as fact the allegations set forth below; 2) finding all the sanctions and remedies detailed herein are in the public interest and

necessary for the protection of Massachusetts investors; 3) requiring Respondents to permanently cease and desist from further conduct in violation of the Act and Regulations; 4) censuring Respondents; 5) requiring Respondents to disgorge all profits and direct or indirect compensation and remuneration received by Respondents in connection with the alleged wrongdoing; 6) requiring Respondents to pay restitution to fairly compensate investors for those losses attributable to the alleged wrongdoing; 7) suspending Respondent Hughes' registration as a broker-dealer agent in Massachusetts; 8) permanently barring Respondent Felden from associating with or acting as a registered investment adviser, an investment adviser required to be registered, an investment adviser exempted from registration, a person relying on an exclusion from the definition of investment adviser in any capacity, a broker-dealer, a broker-dealer agent, an issuer, an issuer-agent, or a partner, officer, director, or control person of any of the above; 9) imposing an administrative fine on Respondents in such amount and upon such terms and conditions as the Director or Presiding Officer may determine; and 10) taking any such further action which may be necessary or appropriate in the public interest for the protection of Massachusetts investors.

## **II. SUMMARY**

Elizabeth Hughes ("Hughes") began working as a Massachusetts-based broker-dealer agent and investment adviser representative in 2003 and has built a practice selling securities, insurance products, and providing financial advice as a chartered federal employee consultant. To help build her business, Hughes turned to the social media platform Meetup.com to make social connections with other like-minded individuals. In early 2015, Hughes was a member of the North Shore Women in Business group of

Meetup.com (“NSWIB”). The NSWIB was primarily a social group where professional women could meet each other and find new friends and acquaintances.

As part of the NSWIB, Hughes met at least one person (“Investor One”) who took an interest in Hughes’ career. In 2015, Hughes hosted a seminar about financial planning which Investor One attended. Over the year, Hughes and Investor One attended multiple NSWIB meetings and, after becoming acquaintances, Investor One met with Hughes and her husband, Gregory Felden (“Felden”), to discuss Investor One’s finances. Felden was previously registered as a broker-dealer agent in Massachusetts until his firm terminated him for cause in 2002. Felden has not been registered in the securities industry since 2002 and has two disclosure incidents related to the misrepresentation of annuity contracts and the failure to deliver policy contracts. The NASD also fined Felden \$5,000 and suspended him for thirty days in 2004 for sales practice violations.

In March 2015, at the recommendation of Hughes and Felden, Investor One abandoned her existing insurance plan through her employer and purchased a new insurance policy through Hughes. Over the course of the next two years, Hughes and Investor One met many times, but rarely discussed finances. In addition to attending NSWIB meetings, Hughes and Investor One would visit each other socially for parties and numerous other social events. Between 2015 and 2017, Investor One saw Hughes primarily as a friend first, and a financial service provider second.

Investor One met with Hughes and Felden again in a professional setting in April 2017 after Felden suggested it may be time for a financial “check-up.” The main topic of the meeting was how to invest the bulk of Investor One’s retirement assets. At the time, Investor One had saved \$250,000 towards retirement, almost entirely in her employer

offered 401(k) account. Felden indicated to Investor One that she could receive much better returns and suggested Investor One place the majority of her funds into a variable annuity. Felden and Hughes incorrectly told Investor One that at age 59 1/2, Investor One would have a one-time opportunity to move her funds out of her 401(k) account without suffering tax penalties. Listening to the advice of her friends, Investor One decided to act on Hughes' and Felden's recommendation.

Hughes went forward and prepared the application ahead of time for Investor One. Despite her familiarity with the true state of Investor One's finances from filling out Investor One's 2015 life insurance policy application and her discussions with Investor One, Hughes exaggerated Investor One's finances on the applications to her firm and to the annuity provider. Rather than having a liquid net worth of \$500,000-\$999,999, as Hughes put on the application paperwork, Investor One only had a liquid net worth of approximately \$300,000. Investor One also did not have nearly the \$400,000 in marketable securities or \$95,000 in cash equivalents Hughes reported on Invest One's application. However, the higher liquid net worth made it more likely that Investor One's application for a \$192,000 variable annuity would be approved and that Hughes would receive a commission of nearly \$10,000.

Hughes presented the prepared application to Investor One for her signature. Hughes did not bother guiding Investor One through the application paperwork line by line. Hughes and Felden told Investor One that she would be able to access this money whenever she needed it and explained that there was a guaranteed annual withdrawal benefit. Neither Hughes nor Felden explained that if Investor One wished to liquidate the annuity before seven years had passed, she would incur hefty surrender penalties. Nor did

Hughes or Felden explain that the guaranteed annual withdrawal benefit would cost Investor One between \$700 and \$900 quarterly.

However, when Hughes presented Investor One with the application documents for her signature, Investor One signed them. Trusting in her friends, Investor One believed Hughes and Felden had her best interests in mind. Instead, Hughes pocketed almost \$10,000 in commissions from Investor One's successful annuity application. Currently, Investor One has paid \$13,850 in fees for the guaranteed annual withdrawal benefit and the current surrender charges for liquidating the annuity amount to approximately \$14,000. The annuity continues to be Investor One's largest retirement asset.

With this action, the Enforcement Section seeks to prevent further harm to Massachusetts investors by Respondents.

### **III. JURISDICTION AND AUTHORITY**

1. As provided for by the Act, the Division has jurisdiction over matters relating to securities pursuant to chapter 110A of Massachusetts General Laws.
2. The Enforcement Section brings this action pursuant to the authority conferred upon the Division by Section 407A and 414 of the Act, wherein the Division has the authority to conduct an adjudicatory proceeding to enforce the provisions of the Act and the Regulations.
3. This proceeding is brought in accordance with Sections 101, 201, and 204 of the Act and the Regulations.
4. The Enforcement Section reserves the right to amend this Complaint and bring additional administrative complaints to reflect information developed during the current and ongoing investigation.

#### **IV. RELEVANT TIME PERIOD**

5. Except as otherwise expressly stated, the conduct described herein occurred during the approximate time period of January 1, 2015, through the present.

#### **V. RESPONDENTS**

6. Elizabeth Hughes (“Hughes”) is an individual with a last known address in Massachusetts. Hughes has a Financial Industry Regulatory Authority (“FINRA”) Central Registration Depository (“CRD”) number 4730610. Hughes was registered as a broker-dealer agent of IFC Holdings, Inc. in Massachusetts between March 2009 and February 2018. Currently, Hughes is registered in Massachusetts as a broker-dealer agent of LPL Financial LLC.

7. Gregory Felden (“Felden”) is the husband of Elizabeth Hughes and was previously registered as a broker-dealer agent in Massachusetts until his termination in 2002. Felden has a FINRA CRD number of 1100966 and the National Association of Securities Dealers (“NASD”) suspended him for 30 days in 2004.

8. IFC Holdings, Inc. (“IFC”), known as IFSA Corporation from 1982 until 1989 and Invest Financial Corporation from 1989 until 1998, is a Delaware corporation with a principal place of business located at 12750 Citrus Park Lane, Suite 300, Tampa, Florida 33625. IFC has a FINRA CRD number of 12984 and was registered as a broker-dealer in Massachusetts from December 1982 until July 2018. IFC sold its broker-dealer operations to LPL Financial LLC in 2018.

#### **VI. RELATED ENTITIES**

9. LPL Financial, LLC (“LPL”) is a broker-dealer and investment adviser with a principle executive office in Massachusetts. LPL has a FINRA CRD number of 6413. LPL

has been registered in Massachusetts as a broker-dealer since July 31, 1981, and notice-filed as a federal covered adviser since April 14, 1994. LPL purchased IFC's broker-dealer operations in 2018.

## **VII. STATEMENT OF FACTS**

10. Investor One is a 63-year-old Massachusetts resident. Since at least 2015, Investor One has been an employee of Target Corporation ("Target").

11. While working at Target, Investor One paid into the company's 401(k) plan and by 2017, Investor One had saved around \$250,000 towards retirement.

12. In January 2015, Investor One attended a social event for professional women hosted by members of the North Shore Women in Business group ("NSWIB") on the social media platform Meetup.com, where Investor One met Hughes.

13. Hughes also joined NSWIB for social and professional reasons.

14. Later that month, Investor One attended a seminar Hughes hosted as part of NSWIB on the topic of financial planning.

15. Investor One and Hughes attended several other events hosted by NSWIB. Through those interactions, Investor One became an acquaintance of Hughes and then decided to become Hughes' customer.

16. At the time Investor One became Hughes' customer, Hughes was a broker-dealer agent of IFC.

17. In March 2015, Hughes and Felden suggested that Investor One replace her long-term care insurance policy with a Pacific Life Insurance Company ("PAC Life") variable universal life insurance policy ("PAC Policy").

18. Hughes and Felden met with Investor One to discuss replacing her existing insurance policy and told Investor One that Investor One was wasting money paying premiums on her existing long-term care contract.
19. Investor One did not have dependents or children, and Investor One's niece, nephew, and brother were listed as beneficiaries of the PAC Policy.
20. When purchasing the PAC Policy, Hughes represented to PAC Life that Investor One earned \$50,000 per year and had a net worth of \$250,000.
21. The PAC policy cost Investor One \$2,400 per year in premiums.
22. Hughes earned \$2,160 in commissions for selling the PAC Policy to Investor One.
23. Investor One attended many social events with Hughes and Felden between 2015 and 2017. These events included boat trips, New Year's Eve celebrations, and other similar events.
24. Investor One next met with Hughes and Felden in a professional setting again in April 2017, after Felden suggested to Investor One that it may be time for a review to further discuss Investor One's finances.
25. Felden provided Investor One with a business card identifying himself as a benefit consultant and insurance retirement specialist. Felden's business efforts also include operating as a business consultant and a tax preparer.
26. Felden was registered as a broker-dealer agent in Massachusetts until 2002 when he was terminated by his firm for cause.
27. Felden also has other disclosure incidents, including two disclosures involving the misrepresentation of annuity contracts and the failure to deliver policy contracts.



28. The NASD fined Felden \$5,000 and suspended him for thirty days in 2004 for sales practice violations.
29. Felden has not been registered in the securities industry since 2002.
30. At the April 2017 meeting, Felden and Hughes erroneously told Investor One that Investor One had a single opportunity to remove funds from her 401(k) account upon reaching the age of 59.5.
31. Despite being unregistered and not being Investor One's financial advisor, Felden participated in the meeting with Investor One and provided Investor One with advice on her 401(k) and other retirement assets.
32. According to Investor One, Felden presented the financial planning information and products for Investor One to sign. Felden sat directly across from Investor One during meetings to discuss her finances, giving Investor One the impression that Felden was the registered individual running the meetings.
33. After several conversations, Hughes and Felden suggested that Investor One create a retirement account with IFC in order to purchase a Jackson National Life Insurance Company ("Jackson") Perspective II Individual Variable Annuity (the "Jackson Annuity").
34. On April 26, 2017, Investor One met with Hughes to open an IFC retirement account and purchase the Jackson Annuity.
35. Hughes prepared the applications for both the IFC retirement account and the Jackson Annuity, filling in all spaces other than the signature block.
36. Despite no major changes in Investor One's financial situation since Investor One's purchase of the PAC Life policy in 2015, Hughes represented to IFC that Investor One had a liquid net worth of between \$500,000 and \$999,999. This liquid net worth was up to two

to four times higher than Hughes represented on Investor One's PAC Life application just two years earlier.

37. Additionally, Hughes represented to IFC that Investor One had \$400,000 in marketable securities and \$95,000 in cash equivalents.

38. Investor One did not have the \$400,000 in marketable securities or \$95,000 in cash equivalents that Hughes represented on the Jackson applications.

39. Hughes represented to Jackson that Investor One did not have any existing annuity contracts. Hughes, however, sold an Elite Access Variable Annuity to Investor One in June 2015.

40. Hughes also represented to Jackson that Investor One did not have any existing life insurance policies, despite selling a life insurance policy to Investor One in March 2015.

41. Investor One's liquid net worth was, in fact, approximately \$300,000. Approximately \$250,000 of Investor One's liquid net worth was in her 401(k).

42. The Jackson Annuity contained a seven-year surrender period in which the product owner would incur a penalty for surrendering the policy early, starting at 8% and decreasing to 2% over seven years.

43. The Jackson Annuity also contained a guaranteed annual withdrawal benefit that cost an additional \$700 to \$900 per quarter. Jackson deducted this charge directly from the value of the annuity.

44. Hughes and Felden assured Investor One that the Jackson Annuity was the best way to invest her money and that Investor One would have access to it at any time.

45. Based on Hughes' and Felden's statements, and Investor One's personal relationship with Hughes and Felden, Investor One signed the application paperwork without fully reviewing it.
46. Hughes submitted Investor One's signed policy application, but did not provide Investor One with a copy for her records.
47. Hughes did not provide Investor One with copies of either the IFC retirement account application or the Jackson Annuity application.
48. The Jackson Annuity constituted approximately \$192,000 of the approximately \$250,000 in Investor One's 401(k) account. Investor One's 401(k) account constituted almost all of Investor One's retirement savings at the time of the purchase.
49. Hughes earned \$9,600 in commissions for selling the Jackson Annuity to Investor One.
50. The guaranteed annual withdrawal fees charged to date in connection with the Jackson Annuity amount to approximately \$13,850.
51. The current surrender charge on the Jackson Annuity is approximately \$14,000.

### **VIII. VIOLATIONS OF LAW**

#### **Count I – Violations of MASS. GEN. LAWS ch. 110A, § 101(3)**

52. Section 101 of the Act provides:

It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly

[...]

(3) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

MASS. GEN. LAWS ch. 110A, § 101.

53. The Enforcement Section herein re-alleges and re-states the allegations of fact set forth in Section VII above.

54. The conduct of Respondents, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 101(3).

**Count II – Violations of Mass. Gen. Laws ch. 110A, § 201(c)**

55. Section 201(c) of the Act provides:

(c) It is unlawful for any person to transact business in this commonwealth as an investment adviser or as an investment adviser representative unless he is so registered under this chapter.

MASS. GEN. LAWS ch. 110A, §201(c).

56. The Enforcement Section herein re-alleges and re-states the allegations of fact set forth in Section VII above.

57. The conduct of Respondent Felden, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 201(c).

**Count III – Violations of Mass. Gen. Laws ch. 110A, § 204(a)(2)(G)**

58. Section 204(a) of the Act provides:

The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action 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:

[...]

(G) has engaged in any unethical or dishonest conduct or practices in the securities, commodities or insurance business[.]

MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G).

59. The Enforcement Section herein re-alleges and re-states the allegations of fact set forth in Section VII above.

60. The conduct of Respondent Hughes, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G).

### **IX. STATUTORY BASIS FOR RELIEF**

Section 407A of the Act provides:

(a) If the secretary determines, after notice and opportunity for hearing, that any person has engaged in or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order issued thereunder, he may order such person to cease and desist from such unlawful act or practice and may take such affirmative action, including the imposition of an administrative fine, the issuance of an order for an accounting, disgorgement or rescission or any other such relief as in his judgment may be necessary to carry out the purposes of [the Act].

MASS. GEN. LAWS ch. 110A, § 407A.

### **X. PUBLIC INTEREST**

For any and all of the reasons set forth above, it is in the public interest and will protect Massachusetts investors for the Director to enter an order finding that such “action is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of this chapter [MASS. GEN. LAWS ch. 110A].”

### **XI. RELIEF REQUESTED**


The Enforcement Section of the Division requests that an order be entered:

- A. Finding as fact all allegations set forth in Section VII, inclusive, of the Complaint;
- B. Finding that all the sanctions and remedies detailed herein are in the public interest and necessary for the protection of Massachusetts investors;

- C. Requiring Respondents to permanently cease and desist from further conduct in violation of the Act and Regulations;
- D. Censuring Respondents;
- E. Requiring Respondents to disgorge all profits and direct or indirect compensation and remuneration received in connection with the alleged wrongdoing;
- F. Requiring Respondents to pay restitution to fairly compensate investors for those losses attributable to the alleged wrongdoing;
- G. Suspending Respondent Hughes' registration as a broker-dealer agent in Massachusetts;
- H. Permanently barring Respondent Felden from associating with or acting as a registered investment adviser, an investment adviser required to be registered, an investment adviser exempted from registration, a person relying on an exclusion from the definition of investment adviser in any capacity, a broker-dealer, a broker-dealer agent, an issuer, an issuer-agent, or a partner, officer, director, or control person of any of the above;
- I. Imposing an administrative fine on Respondents in such amount and upon such terms and conditions as the Director or Presiding Officer may determine; and
- J. Taking any such further actions which may be necessary or appropriate in the public interest for the protection of Massachusetts investors.

**MASSACHUSETTS SECURITIES DIVISION  
ENFORCEMENT SECTION**

By and through its attorneys,



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