

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

IN THE MATTER OF:

H. BECK, INC.

)
)
) CONSENT ORDER
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)
) Docket No. E-2012-0035
)

I. INTRODUCTION

This Consent Order (“Order”) is entered into by the Massachusetts Securities Division (“Division”) and H. Beck, Inc. (“H. Beck”) in connection to the Division’s investigation into H. Beck’s alleged violation of the supervisory requirements for the firm’s registered representatives contained in Section 204(a)(2)(J) of MASS. GEN. LAWS c. 110A, the Massachusetts Uniform Securities Act (“Act”).

On May 16, 2012, H. Beck submitted an Offer of Settlement (“Offer”) to the Division for the purpose of disposing the allegations set forth in the Offer of Settlement. H. Beck, admitting to the Allegations of Fact and the Violations of Law as set out herein in Sections VI and VII, respectively, consents solely for the purpose of these proceedings, to the entry of this Consent Order (“Order”) by the Division, consistent with the language and terms of the Offer, settling the claims thereby with prejudice.

II. JURISDICTION AND AUTHORITY

1. The Massachusetts Securities Division is a division of the Office of the Secretary of the Commonwealth with jurisdiction over matters relating to securities, as provided for by MASS. GEN. LAWS ch. 110A, the Massachusetts Uniform Securities Act (the “Act”), and 950 MASS. CODE REGS. 10 et seq., (“Regulations”). The Act authorizes the Division to regulate: 1) the

offers, sales, and purchases of securities; 2) those individuals offering and/or selling securities; and 3) those individuals transacting business as broker-dealers and/or investment advisers within the Commonwealth.

2. The Division enters into this settlement proceeding pursuant to the enforcement authority conferred upon it by MASS. GEN. LAWS ch. 110A, § 407A of the Act and MASS. GEN. LAWS ch. 30A, wherein the Division has the authority to conduct an adjudicatory proceeding to enforce the provisions of the Act and all Regulations and rules promulgated thereunder.

3. This proceeding is brought in accordance with §§ 204 and 407A of the Act and its Regulations. Specifically, the acts and practices constituting violations occurred within the Commonwealth of Massachusetts.

III. RELEVANT TIME PERIOD

4. Except as otherwise expressly stated, the conduct described herein occurred during the approximate time period of February 1, 2009 to date (the "Relevant Time Period").

IV. RESPONDENT

5. H. Beck, Inc. is an entity currently assigned a Central Registration Depository ("CRD") number of 1763. H. Beck, Inc. has been registered in Massachusetts as a broker-dealer since December 10, 1984. H. Beck, Inc. is organized in Maryland and has a principal place of business in Rockville, Maryland.

V. OTHER PARTIES

6. Paul J. Dumouchel ("Dumouchel") is a natural person who resides in Wellesley, Massachusetts and is currently assigned a CRD number of 2882033. Dumouchel was registered in Massachusetts as a registered representative of H. Beck, Inc. from February 26, 2009 until November 15, 2011. Dumouchel has passed the following FINRA series examinations: 6 and 66.

Dumouchel worked out of an office located at 40 Washington Street, Suite 240, Wellesley, Massachusetts 02481.

7. Chief Compliance Officer (“CCO”) is a natural person who has been the Chief Compliance Officer of H. Beck since March 15, 2011. CCO is responsible for the oversight of the compliance initiatives of H. Beck and CCO manages a staff of approximately twenty-one (21) individuals within the compliance department of H. Beck. CCO’s office is located at H. Beck’s home office in Bethesda, Maryland.

8. Supervisor is a natural person that has been a registered in Massachusetts as a registered representative of H. Beck since January 22, 2009. As of January 12, 2012, Supervisor was responsible for supervising six (6) registered representatives of H. Beck. Supervisor’s office is located in New Hampshire.

9. Branch Office Examiner (“Examiner”) is a natural person that has been employed with H. Beck since April 29, 2010. Examiner works in the Compliance Department of H. Beck and Examiner’s current supervisor is H. Beck’s Chief Compliance Officer. Examiner’s job duties and functions included traveling to H. Beck branch offices to examine their books and records to ensure that procedures and practices were within the guidelines of the H. Beck practices and procedures.

VI. ALLEGATIONS OF FACT

Overall Supervisory Structure of H. Beck

10. In testimony before the Division, CCO described H. Beck’s supervisory structure by stating the following:

. . . . We have a centralized form of supervision at our broker/dealer, which means that certain individuals might be responsible for surveillance and processing certain things. We have a team of supervisory principals who do things like review [] account forms as they come in and to review transactions as they come in, and either approve or decline the transactions. So it would be extremely

difficult to pinpoint a specific Series 24 principal to an overall supervision role of any one representative. We also have principals that are responsible for things like email surveillance and advertising and such. So, supervision's a very big large umbrella and because we have that centralized supervision scheme, different areas do different parts of supervision.

11. In testimony before the Division, Supervisor described the duties as supervisor under H. Beck's supervisory procedures as:

. . . very minimal; I'm basically a liaison to the home office with the handful of people that I supervise. I mean overall supervision is centralized within the home office, whether that's reviewing and approving trades, public communications, incoming/outgoing blotters, logs, things like that all goes through the home office, so it's a very minimal role.

12. In testimony before the Division, Supervisor elaborated on his/her supervisory responsibilities as ". . . just to make sure they're familiar with procedures, following procedures; not necessarily following procedures because that's centralized, again, really just to be a liaison to the home office. I don't really have a day-to-day, week-to-week role as a supervisor."

Supervision of Dumouchel

13. Dumouchel's Form U4s¹ that were filed with the Division on February 26, 2009, March 26, 2009, April 20, 2009, September 3, 2009, July 1, 2011, and August 9, 2011 indicated that Dumouchel was registered with H. Beck as a registered representative and that he was supervised from Supervisor's office in New Hampshire.

14. In testimony before the Division, Examiner identified Supervisor as being responsible for supervising Dumouchel.

15. In testimony before the Division, Examiner stated that Examiner was not responsible for supervising Dumouchel.

¹ The Form U4 is the Uniform Application for Securities Industry Registration or Transfer. Representatives of broker-dealers, investment advisers, or issuers of securities must use this form to become registered in the appropriate jurisdictions and/or self regulatory organizations.

16. In testimony before the Division, Supervisor acknowledged that he/she was a supervisor of Dumouchel, but when questioned about his/her supervisory duties over Dumouchel, Supervisor stated:

Question (by the Enforcement Section): . . . in your role as Paul Dumouchel's supervisor what were you specifically reviewing and monitoring with respect to Paul Dumouchel?

Answer (by Supervisor): I didn't have any responsibilities for reviewing and monitoring.

17. In testimony before the Division, when asked whether Supervisor had any duties and responsibilities applicable to Dumouchel while he was registered with H. Beck, CCO stated the following:

Yes, he did, he did. . . . [his/her] role as it would have related to Paul Dumouchel would have been kind of serving as the compliance department's eyes and ears, if you will. You know, perhaps if Mr. Dumouchel hadn't responded to an audit or something like that, you know, we contact [Supervisor] or if -- as another example, if he had not been doing his continuing education program or something like that which, you know, I don't have any reason to believe that he was deficient in that area, you know, we'd probable contact [Supervisor] there.

18. CCO later in testimony elaborated on Supervisor's supervisory responsibilities of Dumouchel by stating:

. . . [Supervisor] does have some supervisory responsibilities. [Supervisor] does not have all of the supervisory responsibilities. The majority of those are borne by the home office. You know, what that percentage is, I can estimate probably 90 to 95 percent are the home office. You know, there are some capacities there in which [Supervisor] is Paul Dumouchel's supervisor.

19. In testimony before the Division, CCO stated that there was "[n]ot one specific individual" supervising Dumouchel.

20. In testimony before the Division, CCO stated that H. Beck's home office was serving as Dumouchel's Office of Supervisory Jurisdiction ("OSJ").

21. When questioned by the Division why Supervisor was designated as a supervisor, CCO stated:

We named [Supervisor] as a supervisor because the representative needed a supervisor, but our firm's structure is that the supervision comes from the home office and we cannot name physically our home office as a supervisor on FINRA's CRD system. So it is a little bit of putting a round peg in a square hole.

22. CCO stated in testimony before the Division that "[Supervisor] is not an OSJ manager."

H. Beck's Supervisor Duties List

23. An H. Beck document entitled "SUPERVISOR DUTIES LIST AT THE BRANCH OFFICE" ("Supervisor Duties List") is a list that summarizes the primary supervisory duties assigned to H. Beck's supervisors at the branch office.

A. Maintain Regular Communication with Assigned Registered Representatives

24. The Supervisor Duties List contains a section with a heading "Help Ensure the Firm's Compliance Policies and Procedures Are Followed by All," and in this section supervisors are instructed to "[m]aintain regular communication with assigned registered representatives."

25. In testimony before the Division, Examiner answered who would have been responsible for maintaining regular communication with Dumouchel in the following manner:

Question (by the Enforcement Section): Who would have been responsible for maintaining regular communications with Paul Dumouchel? Would it have been [Supervisor] or yourself?

.....

Answer (by Examiner): Compliance communications come from the home office, as well as from the supervisor.

Question (by the Enforcement Section): So who would have been responsible for maintaining regular communication with Mr. Dumouchel?

Answer (by Examiner): I don't know for certain the answer to that.

26. In testimony before the Division, CCO indicated that Supervisor was not required to maintain regular communication with Dumouchel.

27. In testimony before the Division, CCO indicated that H. Beck's home office is the supervisor for Dumouchel and H. Beck's home office would have the duty to maintain regular communication with Dumouchel.

B. Encourage Adequate Documentation of Branch Office Compliance Efforts

28. In the same section of the Supervisor Duties List with the heading "Help Ensure the Firm's Compliance Policies and Procedures Are Followed by All," the supervisors are instructed to [e]ncourage adequate documentation of Branch Office compliance efforts."

29. In testimony before the Division, when asked who would have been responsible for ensuring that Dumouchel had adequate documentation for compliance purposes, Examiner responded "I would say the combination of his supervisor and home office communications."

30. In testimony before the Division, when questioned about his/her role to "[e]ncourage adequate documentation of Branch Office compliance efforts," Supervisor stated the following:

Question (by the Enforcement Section): And your role as a supervisor was it your responsibility to ensure that Paul Dumouchel had adequate documentation of branch office compliance efforts?

Answer (by Examiner): [I]f Paul was not maintaining his, what's an example, he didn't fill out his [outside business activity] form in a timely manner, I wouldn't see the [outside business activity] form, but I may get a phone call from the home office saying, "Hey, can you light the fire under Paul, he hasn't filled out his [outside business activity form]." I would never see it, I wouldn't even -- it doesn't come to me, so that would be my role as it pertains to [the portion of the Supervisor Duties List stating "[e]ncourage adequate documentation of Branch Office compliance efforts].

31. In testimony before the Division, CCO indicated that Supervisor was not required to encourage adequate documentation of branch office compliance efforts.

32. In testimony before the Division, CCO indicated that H. Beck's home office is the supervisor for Dumouchel and H. Beck's home office would have the duty to encourage adequate documentation of Branch Office compliance efforts.

Outside Business Activities of H. Beck Registered Representatives

33. The surveillance section of H. Beck's compliance department is responsible for ensuring that registered representatives properly disclose their outside business activities.

34. During the period that Dumouchel was registered with H. Beck as a registered representative until approximately June 2011, H. Beck registered representatives were obligated to promptly disclose their outside business activities by completing and submitting a hardcopy document referred to as outside business activity disclosure form to the compliance department of H. Beck.

35. Beginning in approximately June 2011, H. Beck registered representatives were no longer required to submit a hard copy outside business activity disclosure form, instead they were required to disclose their outside business activities prior to engaging in them by completing and submitting an electronic document also referred to as an outside business activity disclosure form.

36. According to CCO, H. Beck required its registered representatives to disclose if the registered representative engaged in the sale(s) of fixed annuities on their outside business activity form.

37. However, in testimony to the Division, CCO also stated that during Dumouchel's registration with H. Beck, if a registered representative sold insurance products, the registered representative was not required to disclose all the insurance companies that they sold insurance products through.

38. When asked whether the surveillance section of the compliance department verifies information provided by registered representatives regarding outside business activities, CCO stated:

Answer (by CCO): There are some situations which are so vanilla that there doesn't really need to be a whole lot of interaction between the compliance department and the representative.

Question (by the Enforcement Section): Such as?

Answer (by CCO): If somebody were to disclose as an outside business activity that they sold long term care insurance away from the broker/dealer, that would be a vanilla type situation where we probably wouldn't ask any other follow-up questions unless there was some other fact that was raising a question. A lot of the outside business activities though aren't that vanilla and that would have required some interaction between the compliance department and the registered representative.

Question (by the Enforcement Section): Would the sale of fixed annuities be a vanilla outside business activity?

Answer (by CCO): In most cases, yes.

39. CCO stated to the Division that H. Beck registered representatives' outside business activity disclosures would have been verified during the branch office examination and also through the representative's completion and submission of their outside business activity disclosure forms.

40. When asked what a supervisor's responsibilities were as they pertained to registered representative's outside business activities, CCO stated the following to the Division:

If [Supervisor] noticed something was odd, [Supervisor would] be obligated to report that to [the compliance department], but the [supervisors] do not have access to the disclosures that the representatives have given [the compliance department]. So, for example, our representatives are required now to communicate to us online through a third party vendor what outside business activities they have and what their duties are, and the [supervisors] don't even have access to that.

Dumouchel's Outside Business Activities

41. On or about January 30, 2009, Dumouchel completed and submitted his outside business activity disclosure form to H. Beck's compliance department.

42. Dumouchel's outside business activity disclosure form indicated the he received direct or indirect compensation for engaging in activities involving equity indexed annuities and fixed insurance products.

43. Dumouchel's outside business activity disclosure form and attachments indicated that he was engaging in outside business activities with the following companies: Jackson National; Ohio National; American Funds; John Hancock; Small Business Service Bureau; Med America; and Allianz Life Ins. Co. of North America.

44. Dumouchel's outside business activity disclosure form and attachments indicated that none of Dumouchel's securities clients provided capital or services to Jackson National or Ohio National.

45. Dumouchel's outside business activity Disclosure form and attachments did not indicate whether Dumouchel's securities clients provided capital or services to American Funds, John Hancock, Small Business Service Bureau, Med America, or Allianz Life Ins. Co. of North America.

46. Dumouchel was supposed to update his outside business activity disclosure form if the information became inaccurate and CCO confirmed this when asked by the Division during testimony:

Question (by the Enforcement Section): . . . if amendments or updates applicable to Dumouchel's outside business activities, he would have had to submit supplemental disclosure form?

Answer (by CCO): Promptly, yes.

Question (by the Enforcement Section): And just to be clear, [1 page 2 [of the outside business activity disclosure form has] the question, in connection with the activity have any of your securities clients provided capital services, if he originally submitted this form as no and subsequent after some of his securities clients did become clients of his outside business activity, he would have had to amend this form; would he not have?

Answer (by CCO): He would have, you're correct.

47. On June 15, 2011, Dumouchel completed and submitted his electronic outside business activity disclosure form to H. Beck's compliance department.

48. Dumouchel's electronic outside business activity disclosure form indicates that his outside business activity is named Dumouchel Financial, it is investment related, and it pertains to the sales of insurance.

49. Dumouchel's electronic outside business activity disclosure form indicates that Dumouchel devoted approximately one hundred sixty (160) hours per month on his outside business activities.

50. In testimony before the Division, CCO confirmed that H. Beck was not concerned that Dumouchel was spending one hundred sixty (160) hours per month on his outside business activities.

51. Dumouchel's electronic outside business activity disclosure form indicates that his outside business activity does not comprise 10% or more of either (1) his total annual income or (2) his time.

52. From February 29, 2009 through December 31, 2009, Dumouchel's H. Beck commission activity report indicates that he made \$11,838.35 in commissions during that period.

53. From January 1, 2010 through December 31, 2010, Dumouchel's H. Beck commission activity report indicates that he made \$26,249.16 in commissions during that period.

54. From January 1, 2011 through December 31, 2011, Dumouchel's H. Beck commission activity report indicates that he made \$5,920.58.

55. Dumouchel's electronic outside business activity disclosure form indicates that Dumouchel's outside business activities compensate him through commissions and that he anticipates receiving \$100,000.00 annually from these activities.

56. Dumouchel's electronic outside business activity disclosure form indicates that none of his outside business activity clients are also clients of H. Beck.

57. When asked how H. Beck verified that none of Dumouchel's outside business activity clients were also H. Beck clients, CCO stated ". . . unless a special situation came up such as a regulatory inquiry or complaint or something like that, we normally would not verify that unless it came up during an audit of that particular branch."

58. In testimony before the Division, CCO described how H. Beck would review these electronic outside business activity disclosure forms by stating:

[H. Beck examiners] would review the [electronic outside business activity disclosure forms] and . . . the primary intent here was to determine whether or not there were outside business activities that were previously disclosed to us or that were being disclosed to the first time that would have presented a conflict of interest between that registered representative's activities and then the activities of the broker/dealers. So the examiners that were reviewing these were checking for things like completeness to get an understanding of the activity, because without the understanding you can't really determine whether or not a conflict may exist, and a case where a conflict may have existed it would have been escalated to [the project manager] to . . . gather more information and then it escalate[s] to the manager if it looked like there was a conflict. And in cases where there were, it would get escalated to me.

59. The H. Beck examiner who reviewed Dumouchel's electronic outside business activity disclosure form accepted it the same day it was completed by Dumouchel.

60. In testimony before the Division, CCO indicated that Supervisor was not required to confirm that Dumouchel disclosed all outside business activities to the compliance department prior to engaging in the activity.

61. In testimony before the Division, when asked who at H. Beck would have been responsible for the disclosure of Dumouchel's outside business activities, CCO stated that "[it] would have been handled by [the] surveillance [section, which is] within the compliance

department. That would have also been verified during the branch office examination and also through the annual compliance questionnaires, also handled by the compliance department.”

Dumouchel’s Branch Office Examination

62. Examiner’s job duties and functions included traveling to H. Beck branch offices and OSJs to examine their books and records to ensure that procedures and practices were within the guidelines of the H. Beck practices and procedures.

63. Examiner travels approximately ninety-five (95) to one hundred (100) days a year to fulfill the above referenced job duties and functions.

64. Examiner’s training at H. Beck consisted of the following: (a) becoming familiar with H. Beck’s home office manual, compliance manual, and written supervisory procedures; (b) receiving verbal instruction; and (c) going on the road with a senior examiner 6 or 7 times and learning firsthand from performing exams with other examiner until the other examiner feels that you are competent and know the regulations well enough to be able to go on your own.

65. Examiner conducted a branch office examination of Dumouchel’s office at 40 Washington Street, Suite 240, Wellesley, Massachusetts 02481 on October 6, 2010.

66. Examiner’s branch office examination of Dumouchel’s office did not last longer than one (1) day.

67. Prior to Examiner’s branch office examination of Dumouchel’s office, Examiner reviewed Dumouchel’s outside business activity disclosure form.

68. When asked how Examiner would verify during the branch office examination of Dumouchel’s office that none of his outside business activity clients were also H. Beck clients, CCO stated:

Well, it not necessarily would be verified, but it would be tested I would say. . . . if an examiner were to look at a client file and the client file had some securities in it and let’s say some long term care insurance or some equity index annuities,

that might indicate that the client of the outside business activity, in this case Dumouchel Financial, would also be a client of H. Beck. So it would be tested in that way.

69. As it pertains to insurance products that were sold through Dumouchel's outside business activities, those products were not taken into account by Examiner during the branch examination when Examiner reviewed illiquidity concentrations of Dumouchel's brokerage clients because those insurance products were outside the scope of H. Beck.

70. Prior to the examination of Dumouchel's branch office, Examiner review approximately one (1) year's activity of Dumouchel's H. Beck commission activity.

71. Examiner did not elevate any matters of concern to H. Beck's compliance department as a result of the examination of Dumouchel's branch office.

Commencement of Relationship between Dumouchel and Investor

A. Dumouchel Background

72. Dumouchel was registered in Massachusetts as a registered representative of H. Beck, Inc. from February 26, 2009 until November 15, 2011.

73. From the time period between February 26, 2009 and March 4, 2009, during his registration with H. Beck, Inc., Dumouchel worked out of an office located at 303 Islington Street, Portsmouth, New Hampshire, 03801.

74. From March 4, 2009 until November 15 2011, Dumouchel has worked out of an office located at 40 Washington Street, Suite 240, Wellesley, Massachusetts 02481.

75. Dumouchel first met with Investor around May or June of 2010 through a mail solicitation initiated by Dumouchel.

76. Upon meeting Investor, Dumouchel learned that Investor was invested primarily in certificates of deposit in local banks.

77. Dumouchel never had Investor fill out any investor profile information.

78. Prior to making financial recommendations to Investor, Dumouchel claims he was aware of Investor's monthly living expenses, yet Dumouchel was unable to tell the Division how much of Investor's income exceeded [Investor's] expenses on a monthly basis.

79. When asked by the Division what his understanding of Investor's investment objective was around May or June of 2010, Dumouchel stated that "[Investor] wanted maximum yield with maximum security."

80. Investor had accounts, including certificates of deposit accounts, at the following banks: Randolph Savings Bank; Webster Savings Bank; North Easton Savings Bank; Stoughton Cooperative Bank; and Eastern Bank.

81. Dumouchel recommended that Investor withdraw funds from various banks accounts and certificates of deposit and invest those funds in annuities and mutual funds.

82. In June 2010, Dumouchel drove and accompanied Investor to Randolph Savings Bank, Webster Savings Bank, Eastern Bank and Stoughton Cooperative Bank for the purpose of withdrawing funds from accounts held by Investor.

83. Upon information and belief, in June 2010, Dumouchel also drove and accompanied Investor to North Easton Savings Bank for the purpose of withdrawing funds from accounts held by Investor.

84. Due to Investor's relationship with Dumouchel, Investor became a brokerage client of H. Beck.

B. Investor Background

85. Investor was born in 1928 and was an eighty-two (82) year old widow when Investor met and received financial recommendations from Dumouchel.

86. Upon information and belief, Investor suffered a stroke in 2002.

87. Upon information and belief, in July 2009, Investor's driver's license was suspended after being involved in a motor vehicle accident stemming from a red light violation.

88. Upon information and belief, in October 2009, following the motor vehicle accident, a physician diagnosed Investor with mild cognitive impairment.

89. In August 2010, family members of Investor discovered that Investor's home contained months of unused medication going back to February 2010; the medication packaging confused Investor.

90. In September 2010, family members of Investor discovered unpaid bills of the Investor dating back to March 2010.

91. Upon information and belief, in September 2010, a physician acknowledged Investor's memory problems and believed that Investor would not be safe at home much longer.

92. Upon information and belief, in September 2010, medical test indicated that Investor is suffering from early stages of Alzheimer's disease.

93. Upon information and belief, Investor has been diagnosed as having Alzheimer's disease.

C. Admissions by Dumouchel

94. In testimony to the Division, Dumouchel admitted that he "learned. . . that [Investor] was quite forgetful."

95. In testimony to the Division, Dumouchel admitted that he considered Investor to be "[v]ery careless about the way [Investor] handled matters of large amounts of money."

96. In testimony to the Division, Dumouchel admitted that he characterized Investor as "[a] very disorganized [person]" and that Investor "had a myriad [of] papers on [Investor's] kitchen table" and some of those papers were twenty-five (25) and thirty (30) years old.

97. In testimony to the Division, Dumouchel admitted he was aware that Investor's license to drive was suspended because Investor was previously in a car accident.

D. Concerns from Randolph Savings Bank

98. On June 14, 2010, Dumouchel drove and accompanied Investor into Randolph Savings Bank.

99. On February 2, 2011, an individual at Randolph Savings Bank became so concerned as a result of Dumouchel's conduct that the individual authored a memorandum detailing Dumouchel's actions in accompanying Investor to the bank. The memorandum stated, in pertinent part:

Re: Report to Old Colony Elder Services

[Investor] has been a [Randolph Savings Bank] customer since 1991 and did business in our [REDACTED] office. Our first concern arose December 20, 2008 when [Investor] contacted us saying [Investor] might have given out private banking information over the phone. The staff felt [Investor] sounded confused and placed a warning on the system. . . .

On June 14, 2010 [Investor] came into the Bank with a gentleman and requested withdrawal of 3 CDs totaling \$ 582, 215.12 in the form of a [Treasurer's] check payable to [Investor]. The branch was concerned and asked [Investor] who the man was [Investor] said [Investor] knew well [sic] and wanted the check. The branch then called me for guidance. I told them to ask the man for ID and although reluctant, he furnished the staff with his license and said he was [Investor's] financial advisor. [I, the manager asked [Investor] if [Investor] knew that [Investor] was withdrawing the majority of [Investor's] money and that we could not stop payment on an Official check and that [the manager] didn't know if it was a good idea to be doing so but [Investor] insisted [Investor] was comfortable with the transaction. We looked the advisor's information up and found him to be listed as an advisor who did business in Wellesley but the transaction was still of concern. We contacted the local police to see if any other scams were being reported but none had been.

Still concerned, I contacted Adult Protective Services on June 15, 2010 as [Investor] has no family that we were aware of. I received a confirmation on 6-16-2010 that a case worker had been assigned for investigation. Days later [Investor] contacted the branch and told [the manager] [Investor] was worried [Investor] may have made a mistake. I informed Elder Services of [Investor's] call and concern.

.....

E. Actions of Old Colony Elder Services

100. Old Colony Elder Services is a private non-profit Aging Service Access Point located in the Commonwealth of Massachusetts.

101. According to its website, Old Colony Elder Services' mission is "to provide services which will support the dignity and independence of elders by allowing individuals to: maximize their quality of life; live safely[;] maintain good health; and prevent unnecessary or premature institutionalization."

102. A case worker at Old Colony Elder Services authored a report regarding the relationship between Investor and Dumouchel. The report stated, in pertinent part:

I received a report of concern for [Investor] on 6/15/10. The allegations were of financial exploitation and [Dumouchel] was named as the alleged perpetrator. The report indicated that there were some significant deposits made to [Investor's] checking account at Randolph Savings Bank. [Investor] went into the bank with a man ([Alleged Perpetrator]) on 6/14/10 and withdrew \$550,000 from a CD. [Investor] was charged a substantial penalty as the CD had not yet matured. The [Alleged Perpetrator] was hesitant to identify himself to the bank and only did so when he was told that the transaction could not go forward otherwise.

.....

On 8/4/10 I met with [Dumouchel] in the presence of the Protective Service Director, [], [Dumouchel] informed us that a third party had sought out [Investor] and sent [Investor] some type of mailing. Dumouchel] states that [Investor] likely sent back the mailing indicating some type of interest. [Dumouchel] was given [Investor's] information from this third party and contacted [Investor] directly. [Dumouchel] states that his first contact with [Investor] was in June. [Dumouchel] states that he suggested that [Investor's] money be invested. He reports that roughly \$1 million went into annuities and about \$500,000 went into mutual funds. [Dumouchel] further broker down investments as follows:

Mutual Funds

- American Funds \$25,000
- The remaining \$475,000 into "New World" or "New Perspective"

Annuities

- Phoenix Life Insurance Company \$500,000
- RBC \$200,000
- The remaining \$300,000 into Northwest Life Insurance Co.

[Dumouchel] assured us that the investments were very safe and that they were low risk funds. I explained several times to [Dumouchel] the concerns that [Investor] is forgetful and appears to have memory impairments. [Dumouchel] agreed with this statement and felt that [Investor] had serious limitations. When I asked him why he continued to work with [Investor] and move [Investor's] money around knowing full well [Investor's] limitations he said that he felt that he was helping [Investor] by putting [Investor] in a better place financially. . . .

.....

I have yet to receive any financial documentation from [Dumouchel]. I have tried to assist [Investor] in finding these contracts and have also been unsuccessful.

[Investor] is in the process of undergoing further cognitive evaluation to determine [Investor's] abilities to manage [Investor's] money and to determine if a conservator or family member should take on this role.

103. A copy of the Old Colony Elder Services' report was later provided to the Division.

Dumouchel Drove Investor to Banks and Recommended the Withdrawal of Bank Accounts and Certificates of Deposit and Recommended the Purchase of Mutual Funds and Annuities

A. Fixed Indexed Annuity – Phoenix Life Insurance Company

104. On June 14, 2010, Investor came into Randolph Savings Bank with Dumouchel and Investor withdrew three certificates of deposit, totaling \$582,215.12.

105. Investor had to pay a penalty for withdrawing each of the certificates of deposit. The total amount of the penalty was \$1,075.24.

106. On June 14, 2010, Randolph Savings Bank issued an Official Check to Investor for \$582,215.12 and the endorsement line of the check stated "Pay to the order of Phoenix Life Ins. Co. FBO [Investor]."

107. Dumouchel assisted Investor in endorsing the \$582,215.12 check issued to Phoenix Life Ins. Co.

108. On June 23, 2010, a fixed indexed annuity from Phoenix Life Insurance Company was issued to Investor for \$582,215.12.

109. April 3, 2043 is the contract maturity date of the \$582,215.12 fixed indexed annuity issued to Investor from Phoenix Life Insurance Company.

110. For the first nine years of the Phoenix fixed indexed annuity, Investor's cash withdrawals of the Phoenix fixed indexed annuity will be subject to a surrender charge for amounts exceeding the annual free withdrawal amount.

111. In testimony before the Division, Dumouchel stated that he received "[a] little bit more than [\$20,000.00]" as a commission for selling the \$582,215.12 Phoenix fixed indexed annuity to Investor.

112. In reality, Dumouchel received a commission of \$29,110.78 from Phoenix Life Insurance Company as a result of Investor's purchase of the \$582,215.12 fixed indexed annuity.

B. Fixed Indexed Annuity – RBC Insurance

113. Upon information and belief, on June 14, 2010, Investor went to Stoughton Cooperative Bank with Dumouchel and Investor withdrew two certificates of deposit, totaling \$249,335.06.

114. Investor had to pay a penalty for withdrawing each of the certificates of deposit from Stoughton Cooperative Bank. The total amount of the penalty was \$2,609.29.

115. On June 14, 2010, Stoughton Cooperative Bank issued a Treasurer's Check to Investor for \$77,291.82 and the endorsement line of the check stated "Pay to the order of RBC. FBO [Investor]."

116. Dumouchel assisted Investor in endorsing the \$77,291.82 check issued to RBC.

117. On June 14, 2010, Stoughton Cooperative Bank issued a Treasurer's Check to Investor for \$172,043.24 and the endorsement line of the check stated "Pay to the order of RBC FBO [Investor]."

118. Dumouchel assisted Investor in endorsing the \$172,043.24 check issued to RBC.

119. On June 25, 2010, a fixed index annuity for \$249,335.06 was issued to Investor from RBC Insurance.

120. For the first twelve years of the RBC fixed index annuity, Investor's cash withdrawals of the RBC fixed index annuity will be subject to a surrender charge for amounts exceeding the annual free withdrawal amount.

121. In testimony before the Division, Dumouchel stated that he received a commission of approximately \$12,500.00 from RBC Insurance as a result of Investor's purchase of the \$249,335.06 fixed indexed annuity. Fixed Indexed Annuity – National Western

i. Purchase of Fixed Indexed Annuity from National Western

122. Upon information and belief, on June 14, 2010, Investor came into Eastern Bank with Dumouchel and withdrew one certificate of deposit in the amount of \$102,949.85.

123. Investor had to pay a penalty for withdrawing this certificate of deposit from Eastern Bank. The amount of the penalty was \$511.96.

124. Upon information and belief, on or about June 14, 2010, Investor deposited \$120.06 into another account that Investor held at Eastern Bank.

125. On June 14, 2010, Eastern Bank issued a Treasurer's Check to Investor for \$102,829.79 and the endorsement line of the check stated "Pay to the order of National Western. FBO [Investor]."

126. Dumouchel assisted Investor in endorsing the \$102,829.79 check issued to National Western.

127. Upon information and belief, on June 14, 2010, Investor came into Stoughton Cooperative Bank with Dumouchel and Investor withdrew the entirety of funds from two accounts held by Investor, the total amount of funds withdrawn was \$105,773.88.

128. On June 14, 2010, Investor completed a withdrawal ticket for an account held by Investor at Stoughton Cooperative Bank; the amount withdrawn was \$54,864.22.

129. On June 14, 2010, Stoughton Cooperative Bank issued a Treasurer's Check to Investor for \$54,864.22 and the endorsement line of the check stated "Pay to the order of National Western FBO [Investor]."

130. Dumouchel assisted Investor in endorsing the \$54,864.22 check issued to National Western.

131. On June 14, 2010, Investor completed a withdrawal ticket for an account held by Investor at Stoughton Cooperative Bank; the amount of funds withdrawn was \$50,909.66.

132. On June 14, 2010, Stoughton Cooperative Bank issued a Treasurer's Check to Investor for \$50,909.66 and the endorsement line of the check stated "Pay to the order of National Western FBO [Investor]."

133. Dumouchel assisted Investor in endorsing the \$50,909.66 check issued to National Western.

134. On June 25, 2010, a fixed indexed annuity for \$208,603.67 was issued to Investor from National Western Life Insurance Company.

135. June 25, 2032 is identified as the "ANNUITY DATE" on the "Certificate Data Page" of the \$208,603.67 fixed indexed annuity issued by National Western Life Insurance Company.

136. For the first ten years of the National Western fixed indexed annuity, Investor's cash withdrawals of the National Western annuity will be subject to a surrender charge for amounts exceeding the annual free withdrawal amount.

ii. *Transfer of Annuity from SBLI to National Western*

137. On November 3, 2003, prior to meeting Dumouchel, Investor had purchased an annuity from The Savings Bank Life Insurance Company of Massachusetts.

138. On July 8, 2010, Investor completed a form titled "AUTHORIZATION TO TRANSFER FUNDS TO NATIONAL WESTERN LIFE."

139. On July 27, 2010, National Western received a check from The Savings Bank Life Insurance Company of Massachusetts for \$199,607.19.

140. On July 29, 2010, a fixed indexed annuity for \$199,607.19 was issued to Investor from National Western Life Insurance Company.

141. June 29, 2032 is identified as the "ANNUITY DATE" on the "Certificate Data Page" of the \$199,607.19 fixed indexed annuity issued by National Western Life Insurance Company.

142. In testimony before the Division, Dumouchel stated that he received a commission of approximately \$12,500.00 from both National Western annuities purchased by Investor.

C. Mutual Fund – American Funds Service Co.

143. Upon information and belief, on or about June 18, 2010, Investor came into Webster Savings Bank with Dumouchel and Investor withdrew three certificates of deposit and two other accounts, totaling \$114,610.13.

144. Upon information and belief, Investor had to pay a penalty for withdrawing two of the certificates of deposit from Webster Savings Bank. Upon information and belief, the total amount of the penalty was \$116.72.

145. On June 18, 2010, Webster Savings Bank issued an Official Check to Investor for \$114,610.13 and this check was eventually deposited into Investor's account at Randolph Savings Bank.

146. Upon information and belief, on June 18, 2010, Investor came into North Easton Savings Bank with Dumouchel and Investor withdrew two certificates of deposit and one other account, totaling \$335,772.92.

147. Investor had to pay a penalty for withdrawing the two certificates of deposit from North Easton Savings Bank. The total amount of the penalty was \$571.63.

148. On June 18, 2010, North Easton Savings Bank issued a check to Investor for \$335,772.92 and this check was eventually deposited into Investor's account at Randolph Savings Bank.

149. Upon information and belief, Dumouchel accompanied Investor to Randolph Savings Bank on June 24, 2010.

150. On June 24, 2010, Investor filled out a deposit ticket, memorializing the deposit of two checks; one was from Webster Savings Bank for \$114,610.13 and the other from North Easton Savings Bank for \$335,772.92.

151. On June 24, 2010, Investor issued a check in the amount of \$450,383.05 to American Funds Service Co.

152. On or about June 22, 2010, Investor filled out an Order Transmittal purchasing \$450,383.05 worth of American Funds Service Co. mutual funds.

153. On July 2, 2010, Investor's signature was guaranteed by an individual at Randolph Savings Bank for the purpose of investing \$450,383.05 in American Funds Services Co. mutual funds.

154. In testimony before the Division, Dumouchel stated that he received a commission of approximately \$7,800.00 from American Funds Services Co. as a result of Investor's purchase of the \$450,383.05 American Funds Services Co. mutual funds.

155. Upon information and belief, Dumouchel received a commission of \$9,007.66 from American Funds Services Co. as a result of Investor's purchase of the \$450,383.05 American Funds Services Co. mutual funds.

Impact of Dumouchel's Recommendations on Investor

156. Investor is currently eighty-three (83) years old.

157. In less than a one month period of time, Investor purchased over \$1,040,000.00 worth of annuities at Dumouchel's recommendation.

158. It will be over a decade before Investor will have complete access to the funds in the annuities purchased at Dumouchel's recommendation without having to pay a surrender charge.

159. In testimony before the Division, Dumouchel acknowledged that "[a]t [Investor's] age, it was not the easiest thing in the world to find suitable investments for [Investor] because many companies would not sell an annuity to someone over 80 years of age . . ."

160. Investor had to pay approximately \$4,884.84 in penalty fees for withdrawing certificates of deposit prematurely at Dumouchel's recommendation.

161. In less than a one month period of time, Dumouchel received approximately \$63,118.44 in commissions as a result of the above references transactions involving Investor.

VII. VIOLATIONS OF LAW

COUNT I - VIOLATION OF MASS. GEN. LAWS ch. 110A § 204(a)(2)(J) BY H. BECK, INC.

162. Section 204(a)(2)(J) of the Act provides:

(a) 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:-

....

(J) has failed reasonably to supervise agents, investment adviser representatives or other employees to assure compliance with this chapter[.]

MASS. GEN. LAWS ch. 110A, § 204(a)(2)(J) (2011).

163. The Division alleges that the conduct of H. Beck, Inc., as described above, constitutes a violation of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(J).

VIII. ORDER

Respondent H. Beck, in full settlement of these matters, admits the Division's Allegations of Fact and Violations of Law set out herein in Sections VI and VII, respectively, and makes the following representations and agrees to the undertakings herein as part of the Order:

- A. H. Beck agrees to permanently cease and desist from further violations of the Act;
- B. H. Beck shall retain an Independent Consultant ("Consultant") within thirty (30) days of the date of the Consent Order, entered pursuant to the terms of this Offer, not unacceptable to the Division. The Consultant's compensation and expenses shall be borne exclusively by H. Beck. H. Beck shall require that the Consultant:
 - i. Conduct a comprehensive review of the following H. Beck policies, procedures, and supervisory controls to confirm that they are consistent with all applicable laws, rules, and regulations as well as industry practice and that the programs are being implemented effectively:
 - (a) H. Beck's overall supervisory structure for the field office supervision of its registered representatives, including, but not limited to, the duties and responsibilities of supervisors in both the field and/or offices of supervisory jurisdiction;
 - (b) H. Beck's review, documentation, and supervision of the outside business activities of its registered representatives, including but not limited to, the supervision of such activities by supervisors in the field and/or offices of supervisory jurisdiction; and
 - (c) H. Beck's performance, review, and documentation of periodic inspections, including, but not limited to, the training and

supervision of examiners, the frequency of inspections, the use of “for cause,” and “unannounced” inspections, and any follow up and review of any deficiencies noted pursuant to inspections.

- ii. H. Beck shall cure all deficiencies identified by the Consultant; provided, however, that within one hundred fifty (150) days after the date of the entry of the Order, H. Beck shall have in writing advise the Consultant, H. Beck’s Board of Directors, and the Division of any recommendations that it considers to be unnecessary or inappropriate. With respect to any recommendation that H. Beck considers unnecessary or inappropriate, H. Beck need not adopt that recommendation at the time, but shall propose in writing to the Consultant, H. Beck’s Board of Directors, and the Division, an alternative practice, policy, or procedure designed to achieve the same objective or purpose. As to any recommendation with respect to H. Beck’s practices, policies, or procedures on which H. Beck and the Consultant do not agree, such parties shall attempt in good faith to reach an agreement within one hundred eighty (180) days of the entry of the Order. In the event that H. Beck and the Consultant are unable to agree on an alternative proposal, H. Beck will abide by the determinations of the Consultant;
- iii. H. Beck shall authorize the Consultant to promptly provide to the Division copies of any and all written reports made in connection with the entry of the Order upon the Division’s request;

- iv. H. Beck shall cooperate fully with the Consultant, including obtaining the cooperation of H. Beck's agents, employees, independent contractors, or other persons under its control; shall provide the Consultant with access to H. Beck's files, books, records, and personnel as reasonably requested for the review; and shall not restrict, discourage, or impede the consultant from contacting the Division;
- v. H. Beck shall not have the authority to terminate the Consultant, without prior written approval of the Division, and H. Beck's Board of Directors;
- vi. H. Beck shall compensate the Consultant, and persons engaged to assist the Consultant, for services rendered pursuant to the Order at their reasonable and customary rates;
- vii. H. Beck shall not be in and shall not have an attorney-client relationship with the Consultant and shall not seek to invoke the attorney-client or any other doctrine or privilege to prevent the Consultant from transmitting any information, reports or documents to the Division or H. Beck's Board of Directors; and
- viii. H. Beck shall require the Consultant to enter into an agreement, providing that: (a) for the period of the engagement and for a period of two years from the completion of the engagement, the Consultant shall not enter into any employment, consulting, auditing, attorney-client, or other professional relationship with H. Beck, or any of H. Beck's present or former affiliates, directors, officers, employers, independent contractors, or agents acting in their capacity as such; and (b) any firm with which the

Consultant is affiliated or of which he/she is a member, and any person engaged to assist the Consultant in performance of his/her duties under the Order shall not, without prior written consent of H. Beck's Board of Directors, and the Division, enter into any employment, consulting, auditing, attorney-client, or other professional relationship with H. Beck or any of H. Beck's former affiliates, directors, officers, employees, independent contractors, or agents acting in their capacity as such, for a period of two years after the engagement. Notwithstanding the statements above in this subparagraph, the Consultant may enter into simultaneous and future agreements with H. Beck to fulfill the responsibilities described in the undertakings in the Order.

- C. H. Beck shall preserve copies of any and all Consultant report(s) as set forth in paragraphs (B) and subparagraphs (B)(i) through (B)(viii) above in an easily accessible place for a period of three years from the date of the reports;
- D. For good cause shown, the Division may extend any of the procedural dates set forth above regarding the Consultant's reviews;
- E. No later than ninety (90) days after the date of entry of the Order, H. Beck shall conduct a comprehensive review of Dumouchel's H. Beck clients to ascertain whether any of these are elderly clients similarly situated² to Investor. If there is no other H. Beck client(s) similarly situated to Investor, an H. Beck executive, not unacceptable to the Division, shall certify to the Division, in writing, of such. If H. Beck ascertains there is/are client(s) that are similarly situated to Investor, H.

² Similarly situated includes any H. Beck client over the age of 75 that purchased an annuity from Dumouchel since February 1, 2009.

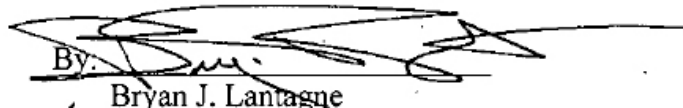
Beck shall notify the Division immediately of such and shall provide compensation to the/those aggrieved investor(s) in the same manner set forth in paragraph F and G below;

- F. H. Beck agrees, within thirty (30) days following the date the Order is executed, to compensate Investor for the early withdrawal penalties that she incurred when she prematurely withdrew certificates of deposit to purchase fixed index annuity contracts during the Relevant Time Period through Dumouchel. H. Beck will make such payments to ensure that Investor shall not receive less than the full amount of the early withdrawal fees paid by Investor, plus interest compounded at a rate of 6% per annum (and prorated for any period of time that is less than a full year) from the date of withdrawal through and including the date of reimbursement;
- G. H. Beck agrees, within thirty (30) days following the date the Order is executed, to compensate Investor for costs that have and/or will be incurred by her to rescind annuity products sold to her by Dumouchel during the Relevant Time Period. H. Beck will make such compensation to ensure that Investor shall not receive less than the full amount of the premiums invested, minus any withdrawals made by Investor, plus interest compounded at a rate of 6% per annum (and prorated for any period of time that is less than a full year) from the date of investments through and including the date of surrender. If Investor has already surrendered any annuity contract(s), H. Beck will, upon notice, reimburse Investor for any surrender fee incurred, plus an additional payment of 6% per

annum, consistent with the terms and conditions set forth in the preceding sentence; and

- H. H. Beck agrees to pay an administrative fine to the Commonwealth of Massachusetts in the amount of \$90,000.00 (ninety thousand dollars) to be paid within five (5) business days of the date the Order is executed.

**WILLIAM FRANCIS GALVIN
SECRETARY OF THE COMMONWEALTH**

By: 
Bryan J. Lantagne
Director
Massachusetts Securities Division
One Ashburton Place, Room 1701
Boston, MA 02108

Dated: May 17, 2012