

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

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IN THE MATTER OF:

A. G. EDWARDS & SONS, INC.  
SUZANNE MICHELLE WIEGAND  
AND WACHOVIA SECURITIES, LLC

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) No. 0600669  
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SECOND AMENDED NOTICE OF HEARING

TO THE RESPONDENTS: A. G. Edwards & Sons, Inc. CRD No. 4

Mr. William Port  
Mr. Jeffrey Coverdell  
A. G. Edwards & Sons, Inc.  
One North Jefferson  
St. Louis, MO 63103

Suzanne Michelle Wiegand CRD NO. 1452080  
C/o Leo Asaro  
Bryan Cave  
211 N. Broadway, Suite 3600  
St. Louis, MO 63102-2750

Wachovia Securities, LLC CRD No. 19616  
C/o Mr. Thomas Hal Clarke  
General Counsel/Secretary  
Wachovia Securities, LLC  
10750 Wheat First Drive  
Mail Code WS1042  
Glen Allen, VA 23060

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5/1], et seq. (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 300 West Jefferson Street, Suite 300A, Springfield, Illinois 62702 on the 15th day of April, 2008 at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before Jon K. Ellis or such other duly designated Hearing Officer of the Secretary of State. A copy of the Rules under the Act pertaining to contested cases is attached to this Notice.

Second Amended Notice of Hearing

-2-

Said hearing will be held to determine whether an Order should be entered which revokes the Dealer registration of A. G. Edwards & Sons, Inc. ("A. G. Edwards"), the Salesperson and Investment Adviser Representative registrations of Suzanne Michelle Wiegand ("Wiegand") and the Dealer registration of Wachovia Securities, LLC in the State of Illinois and/or granting such other relief as may be authorized under the Act.

The grounds for such proposed action are as follows:

Summary

Increasingly Americans are saving for their retirement through employer sponsored retirement plans. This trend will increase with the recent passage of Federal legislation which allows employers to automatically enroll their employees into employer sponsored retirement plans, initiate automatic withdrawals from the employees' paychecks and take other steps to encourage retirement savings by their employees. Generally, such employer sponsored retirement accounts are held at securities firms who provide brokerage services, investment advice and/or custodial services. As such, Broker-Dealers, Investment Advisers, securities salespersons and investment adviser representatives are required to comply with both Federal and State statutes and rules governing securities and employer sponsored retirement accounts. In the case described below, A.G. Edwards and Suzanne Wiegand willfully failed to meet their fiduciary, supervisory and compliance duties.

Wiegand is an Illinois registered salesperson and investment adviser representative of A. G. Edwards, an Illinois registered Dealer and Federally Covered Investment Adviser. Wiegand is also the daughter of Michael Welge ("Welge"). Welge is the President and Secretary-Treasurer of the Gilster-Mary Lee Corporation. Gilster-Mary Lee Corporation is the employer sponsor of the Gilster-Mary Lee Profit sharing Plan ("the Plan"). Welge is also a trustee of the Plan and as such is the principal decision-maker for all investment transactions, strategies and proposals executed by the Plan.

From at least January 2002 up to the present, Welge and Wiegand conspired to use Plan assets for their own use and benefit resulting in Wiegand receiving over \$140,000 in Plan assts. As part of the scheme, Welge transferred \$19 million dollars of Plan assets to Citigroup Global Markets, Inc. Smith Barney ("Citigroup"), an Illinois registered Broker-Dealer and Federally

Second Amended Notice of Hearing

-3-

Covered Investment Adviser during the time period that Suzanne Wiegand worked at the firm. When Wiegand left employment with this firm in 2005 and became an employee of A. G. Edwards, Welge transferred \$17 million of Plan assets from Citigroup and from another brokerage firm into newly opened Plan accounts at A. G. Edwards for which Wiegand was the salesperson and/or investment adviser representative. After transferring Plan assets to the Wiegand Accounts, Welge directed over 360 transactions in these accounts resulting in Wiegand receiving over \$140,000 of commissions and investment advisory fees for these 3 accounts. Welge and Wiegand violated the Employee Retirement Income Security Act ("ERISA") and the Illinois Securities Act by engaging in Prohibited Transactions under ERISA and fraudulent and deceptive acts under the Illinois Securities Act.

Welge's and Wiegand's actions defrauded the over 3000 Gilster-Mary Lee employees who depend upon the Gilster-Mary Lee Profit Sharing plan for their retirement security. Welge as the trustee and principal investment decision-maker directed Plan assets to firms employing his daughter resulting in higher commissions paid by the Plan than if the Plan assets had been held at low cost brokerage firms as was the case for some Plan assets. Accounts for which she was the salesperson generated 2.5 to 3 times the amounts of commissions earned by other similar Plan accounts for which she was not the salesperson. Additionally, accounts not in her name earned performance percentage rates up to 4% greater than those accounts for which she was the salesperson.

Welge's and Wiegand's conspiracy to use Plan assets for their own benefit was known to A. G. Edwards. A. G. Edwards' management and supervisory personnel knew that Welge and Wiegand were father and daughter. In addition, the branch manager for Wiegand met Welge and stated in a letter sent to Welge on A. G. Edwards' letterhead: "...and it is my intention to do all that is possible to support Suzanne in her role." A. G. Edwards and its supervisory and compliance personnel did nothing to prevent the actions of Welge and Wiegand and failed to implement any written supervisory procedures to ensure compliance with ERISA or the Illinois Securities Act by A. G. Edwards, its managers, supervisors and employees/agents. A. G. Edwards failure to establish written supervisory procedures to ensure that Employee Benefit Plan accounts held at the firm were and are in compliance with all applicable State and Federal Statutes and rules and its failure to adequately supervise Wiegand resulted in harm to Illinois investors and will result in future harm to them and form the basis for disciplinary action against A. G. Edwards.

Second Amended Notice of Hearing

-4-

Wiegand's and A. G. Edwards conduct violated the provisions of the Illinois Securities Act as follows:

1. At all times relevant, A. G. Edwards was an Illinois registered Dealer and made notification filings in Illinois as a Federally Covered Investment Adviser pursuant to Section 8 of the Illinois Securities Law of 1953, 815 ILCS 5/1 et seq. (the "Act").
2. Wachovia Securities, LLC ("Wachovia") is an Illinois registered Dealer and has made notification filings in Illinois as a Federally Covered Investment Adviser pursuant to Section 8 of the Act and is the successor entity of A.G. Edwards as of January 1, 2008.
3. At all times relevant, Suzanne Wiegand was an Illinois registered salesperson and investment adviser representative pursuant to Section 8 of the Illinois Securities Law of 1953, 815 ILCS 5/1 et seq. (the "Act").
4. From July 31, 1993 through January 1, 2005, Suzanne Michelle Wiegand was a salesperson for Citigroup.
5. From January 18, 2005 through the present, Suzanne Michelle Wiegand was a salesperson and investment adviser representative for A. G. Edwards.
6. Gilster-Mary Lee Corporation ("Gilster Mary Lee") is a Missouri registered corporation located in Chester, Illinois. Gilster Mary Lee has approximately 3,000 employees and an employee profit sharing plan with a current value of over \$78 million in assets.
7. Michael W. Welge ("Welge") is the President and Secretary-Treasurer of Gilster Mary Lee and a trustee of the Restated Employees' Profit-Sharing Retirement Plan and Trust Agreement of Gilster-Mary Lee Corporation (the "Plan").
8. The Restated Employees' Profit-sharing Retirement Plan and Trust Agreement of Gilster-Mary Lee Corporation is organized pursuant to United States Internal Revenue Service and U.S. Department of Labor rules and statutes, subject to the statutes and regulations governing employee benefit plans and covers all of the full time employees of Gilster Mary Lee.

Second Amended Notice of Hearing

-5-

9. Welge, together with the other trustees of the Plan, made and continues to make investment decisions regarding the asset allocation/diversification, investment strategy and investment transactions of the Plan and both are fiduciaries of and to the Plan.
10. Suzanne Michelle Wiegand, is the daughter and lineal descendant of Michael W. Welge.
11. On or about October 15, 2002, approximately \$10 Million of Plan assets were transferred to accounts at Citigroup. Citigroup documents state that the accounts were transferred to Citigroup as a result of a referral from Wiegand who worked for Citigroup and with the salesperson to whom the accounts were transferred (See Attachment A).
12. On or about January 1, 2005, Suzanne Michelle Wiegand retired as a salesperson for Citigroup and on January 18, 2005 became a salesperson and investment adviser representative for A. G. Edwards.
13. On or about January 19, 2005, Welge completed a new account application that was received and processed by A. G. Edwards in order to open an account in the name of the Plan for Account 3001-0186 (Original account number was 0460-046718). The New Account form in a section titled "Client Associations" discloses that the client, The Restated Employees' Profit-sharing Retirement and Trust Agreement of the Gilster-Mary Lee Corporation, and its authorized person, Michael W. Welge, are related to an employee of A. G. Edwards, Suzanne Michelle Wiegand. This form was approved by Suzanne Michelle Wiegand on January 21, 2005, and by the Branch Office Manager, Rodney D. Vaught, on the same date. The account documentation submitted for this Account both in a paper format and electronically stated that the account was to be marked/coded as "an ERISA Account."
14. On or about January 25, 2005, an account transfer form signed by Welge was sent by A. G. Edwards to Citigroup requesting the transfer of \$17,993,831.44 of Plan assets from a Citigroup account to a newly opened A. G. Edwards Account 3001-0186. The salesperson for this account was Suzanne Michelle Wiegand.

Second Amended Notice of Hearing

-6-

15. On or about August 3, 2005, Welge completed a new account application that was received and processed by A. G. Edwards in order to open an account in the name of the Plan for Account 3001-204. The New Account form in a section titled "Client Associations" discloses that the client, The Restated Employees Profit-sharing Retirement and Trust Agreement of the Gilster-Mary Lee Corporation, and its authorized person, Michael W. Welge, are related to an employee of A. G. Edwards, Suzanne Michelle Wiegand. This form was approved by Suzanne Michelle Wiegand on August 3, 2005, and by the Branch Office Manager, Patrick C. McAllister, ("McAllister") on the same date.
16. On or about September 12, 2005, Welge completed a new account application that was received and processed by A. G. Edwards in order to open an account in the name of the Plan for Account 3001-202. The New Account form in a section titled "Client Associations" discloses that the client, The Restated Employees' Profit-sharing Retirement and Trust Agreement of the Gilster-Mary Lee Corporation, and its authorized person, Michael W. Welge, are related to an employee of A. G. Edwards, Suzanne Michelle Wiegand. This form was approved by Suzanne Michelle Wiegand on September 12, 2005, and by the Branch Office Manager, Robert D. Maurer, on the same date.
17. On or about August 3, 2005, a request to wire funds of \$423,040.64 from the Plan signed by Welge was sent to Citigroup requesting that Plan funds be wire transferred into A. G. Edwards Account 3001-0204. These funds were actually transferred to A. G. Edwards Account 3001-0186, re-transferred to A. G. Edwards Account 3001-0204 and later \$400,000 of the Plan assets were transferred to A. G. Edwards Account 3001-0202. The salesperson for all of the accounts above was Suzanne Michelle Wiegand.
18. On or about January 11, 2006, A. G. Edwards Branch Office Manager, Patrick C. McAllister, met with Michael Welge regarding the Plan accounts at A. G. Edwards. In electronic notes regarding the matter, McAllister wrote the following: "He is aware of the commission he pays and admits that Suzanne (his daughter) is an order taker on his account." (See Attachment B)
19. In a follow-up letter dated January 11, 2006 and addressed to Michael Welge, McAllister stated the following: "You mentioned in our discussion that you make your own

Second Amended Notice of Hearing

-7-

decisions on the investments made for the Gilster-Mary Lee Employees Profit Sharing account (3001-0186). You also mentioned that you have similar sized positions with other firms, and that the true size is three to four times the size that we have at AG Edwards. Certainly we would like to earn more of your business as time goes by, and it is my intention to do all that is possible to support Suzanne in her role." (See Attachment C)

20. McAllister at the time of the above-described meeting was a Branch Office Manager of the Branch Office where Wiegand worked and was her supervisor.
21. Soon after the above-described meeting, on or about January 20, 2006, an account transfer form signed by Welge was sent by A. G. Edwards to Edward Jones, a Broker-Dealer which maintained a brokerage account with Plan assets, requesting the transfer of \$674,590.48 of Plan assets from an Edward Jones brokerage account to a newly opened A. G. Edwards Account 3001-0184. The salesperson for this account was Suzanne Michelle Wiegand.
22. A total of \$19,435,234.81 of Plan assets representing 22% of the total Plan assets were transferred into accounts at A. G. Edwards for which Suzanne Michelle Wiegand was the designated salesperson and/or investment adviser representative.
23. As of April 2006, the Plan had assets of \$78,498,818.13, of which \$35,059,431.94 were held directly by the Plan in certificate form. \$46,439,386.19 of Plan assets were held in securities brokerage accounts at 8 firms including A. G. Edwards. Suzanne Michelle Wiegand had the largest amount of Plan assets of any salesperson in 3 accounts representing 38% of all assets held at brokerage firms.
24. From January 2005 through March 2006, Welge directed and ordered over 360 buy and sell transactions to be transacted for A. G. Edwards accounts 3001-0204 and 3001-0186 resulting in \$137,191.72 in commission fees charged to Plan assets and paid to his daughter, Suzanne Michelle Wiegand.
25. Additionally, Michael Welge opened an investment advisory account (the Select Advisors Account) at A. G. Edwards, 3001-0202, whose assets were to be managed by a third party investment adviser and money manager recommended by

Second Amended Notice of Hearing

-8-

A. G. Edwards and/or Wiegand. Part of the investment advisory fees for managing this account were paid on a quarterly basis to A. G. Edwards and Suzanne Michelle Wiegand. Suzanne Michelle Wiegand received from the opening of the account to April 2006, \$4,256.78 in investment advisory fees paid out of the Plan assets.

26. Due to the large number of transactions Welge directed to accounts for which his daughter was the salesperson, the commissions she earned were more than 2.5 times the commissions of similar accounts at another firm or for which another salesperson at A. G. Edwards was the assigned salesperson. An almost \$10 million dollar account with Plan assets held at A. G. Edwards, but with a different salesperson, only generated \$57,228.33 in commissions during the same time period. An over \$12 million dollar account of Plan assets held at Wachovia Securities, Inc. earned only \$47,369.75 in commissions during the relevant time period. Together these accounts totaled over \$21 million in Plan assets but only paid \$104,590.08 in commission charges.
27. Just as significantly, these other Plan accounts also had higher annualized internal rates of return. For instance, 3001-0186 an account for which Wiegand is the salesperson had an annualized internal rate of return of 10.79%. The other accounts of similar sizes discussed above had annualized internal rates of return of 14.23% and 15.13% respectively.
28. If the Plan assets transferred to A. G. Edwards and Wiegand had been directed to an existing or a new low cost brokerage firm(s), the Plan would have saved over \$120,000 in commissions during the relevant time period.
29. During the relevant time period, no disclosure of the following relevant material information was made to the Plan Participants of the Plan:
  - a. That Wiegand was the daughter of Welge, a Plan trustee and was the Salesperson or Investment Adviser for three of the four Plan accounts held at A.G. Edwards;
  - b. Plan Accounts were transferred from other Broker Dealers to A.G. Edwards and were assigned to

Second Amended Notice of Hearing

-9-

Suzanne Wiegand as Salesperson and/or Investment Adviser Representative for the Accounts;

- c. That Welge directed buy and sell transactions into accounts for which his daughter, Wiegand, was the Salesperson resulting in her and A.G. Edwards earning \$137,191.72 in commissions from the transactions;
  - d. That the accounts for which Wiegand was the Salesperson underperformed other similar brokerage accounts for which she was not salesperson;
  - e. That Wiegand and Welge were participating in a Prohibited Transaction as set forth in ERISA; and
  - f. That AG Edwards, Welge and Wiegand had not and were not complying with the requirements of ERISA.
30. Wiegand and AG Edwards had a fiduciary duty to disclose to Plan participants the above because the accounts were subject to ERISA and/or because some accounts were Investment Advisory accounts.
  31. Wiegand and AG Edwards had a fiduciary duty to act in the best interests of the Plan Participants and breached this duty due to the actions as outlined above because the accounts were subject to ERISA and/or because some accounts were Investment advisory Accounts.
  32. That the allegations alleged above are transactions, practices or a course of business in the sale or purchase of securities which work or tends to work a fraud or deceit upon the purchaser or seller thereof within in the meaning of Section 12.F of the Act.
  33. That the allegations above are material omissions within the meaning of Section 12.G of the Act.
  34. That the allegations alleged above are a device, scheme or artifice to defraud within the meaning of Sections 12.I and J of the Act.
  35. That the allegations alleged above are a transaction practice or course of business which is fraudulent,

Second Amended Notice of Hearing

-10-

deceptive or manipulative within the meaning of Section 12.J of the Act.

36. That the allegations alleged above are acts, practices, or course of business which are fraudulent, deceptive, or manipulative within the meaning of Section 12.J of the Act.
37. United States Code, Title 29 Chapter 18 Paragraph 1106 (a)(1)(D) Prohibits transactions between the fiduciary of an employee benefit plan and a Party in Interest that result in a transfer, to a Party in Interest, of any plan assets.
38. United States Code, Title 29 Chapter 18 Paragraph 1106 (b)(1) Prohibits a plan fiduciary from dealing with the plan assets in his own interest or for his own account.
39. United States Code, Title 29 Chapter 18 Paragraph 1002 provides that a person is a fiduciary with a plan to the extent that he renders investment advice for a fee or other compensation, direct or indirect, with respect to any moneys or other property of such plan, or has any authority or responsibility to do so.
40. Party in Interest is defined by United States Code, Title 29 Chapter 18 Paragraph 1002 (14) to include a relative (including lineal descendants) of a plan fiduciary.
41. ERISA's enumeration of Prohibited Transactions for Fiduciaries and Parties in Interest was to prevent and prohibit the exact type of abuse which is alleged here. Courts have held that the requirement not to engage in Prohibited Transactions also applies to Parties in Interest.
42. Section 8.E.1(b) of the Act provides, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of a salesperson or an investment adviser representative may be suspended or revoked if the Secretary of State finds that the salesperson or investment adviser representative has engaged in any unethical practice in the offer or sale of securities or in any fraudulent business practice.
43. Section 8.E.1(e)(i) of the Act provides, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of a dealer may be suspended or revoked if the Secretary of State finds that the dealer has failed reasonably to supervise the securities activities of

Second Amended Notice of Hearing

-11-

any of its salesperson or other employees and the failure has permitted or facilitated a violation of Section 12 of the Act.

44. Section 8.E.1(e)(iv) of the Act provides, inter alia, that subject to the provision of subsection F of Section 11 of the Act, the registration of a dealer may be suspended or revoked if the Secretary of State finds that the dealer has failed to maintain and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of its salespersons that are reasonably designed to achieve compliance with applicable securities laws and regulations.
45. Section 8.E.1(g) of the Act provides, inter alia, that subject to the provisions of subsection F of the Section 11 of the Act, the registration of a salesperson or investment adviser representative may be suspended or revoked if the Secretary of State finds that the salesperson or investment adviser representative has violated any provisions of the Act.
46. Section 12.F of the Act provides, inter alia, that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
47. Section 12.G of the Act provides, inter alia, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.
48. Section 12.I of the Act provides, inter alia, that it shall be a violation of the Act for any person to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.
49. Section 12.J of the Act, provides, inter alia, that it shall be violation of the Act for any person when acting as an investment adviser representative by any means or instrumentality, directly or indirectly: (1) To employ any device, scheme or artifice to defraud any client or

Second Amended Notice of Hearing

-12-

prospective client; (2) To engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client; or (3) To engage in any act, practice, or course of business is fraudulent, deceptive or manipulative.

50. By virtue of the foregoing, Suzanne Michelle Wiegand has violated Sections 12.F, G, I and J of the Act.
51. Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsections F or J of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State.
52. Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act.
53. By virtue of the foregoing, Suzanne Michelle Wiegand is subject to a fine of up to \$10,000.00 per violation and an order which permanently prohibits her from offering or selling securities in the State of Illinois.
54. By virtue of the foregoing, A. G. Edwards is subject to the entry of an Order which revokes its dealer registration in the State of Illinois pursuant to the authority provided under Section 8.E.1(e)(i), (e)(iv) or of the Act.
55. By virtue of the foregoing, Suzanne Michelle Wiegand is subject to the entry of an Order which revokes her salesperson and investment adviser representative registrations in the State of Illinois pursuant to the authority provided under Section 8.E.1(b) or (g) of the Act.
56. By virtue of the foregoing, Wachovia Securities, LLC as the successor in interest to A. G. Edwards is subject to the entry of an Order which revokes its dealer registration in the State of Illinois pursuant to the authority provided under Section 8.E.1(e)(i), (e)(iv) or of the Act.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code

Second Amended Notice of Hearing


-13-

130) (the "Rules"), to file an answer, special appearance or other responsive pleading to the allegations outlined above within thirty days of the receipt of this notice. A failure to file an answer, special appearance or other responsive pleading within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any respondent has upon due notice moved for and obtained a continuance.

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated this 4<sup>th</sup> day of January, 2008.

  
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State of Illinois

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