

Division of Securities, State of Indiana

13. This Consent Agreement is expressly subject to the approval of the Securities Commissioner and should the Commissioner fail or refuse, for any reason, to approve this Agreement, the same shall be of no force or effect, will not be part of the agency record in this matter, and it shall be not admissible into evidence nor referred to in any hearing in connection with the matters referred to herein.

Carol A. Mihalik

Carol A. Mihalik 5/25/2011
Assoc. General Counsel
Indiana Secretary of State, Charles P. White
302 W. Washington St Room E -111
Indianapolis, IN 46204

Atty # 18793-29

Jay A. Weber

UBS Financial Services

5/27/11

Executive Director

Deputy General Counsel

APPROVED and ORDERED at Indianapolis Indiana this 9TH day of JUNE, 2011.

Charles P. White
INDIANA SECRETARY OF STATE

Chris Naylor

CHRIS NAYLOR
SECURITIES COMMISSIONER



Division of Securities, State of Indiana

Pursuant to that Settlement, UBS has undertaken to purchase from ISTA a number of the Funds and to otherwise take steps to provide liquidity to ISTA.

6. The Division has reviewed the Settlement and has verified that the Trust, through their counsel, Bredhoff & Kaiser, has determined that in light of the Settlement, the Trust has been adequately compensated by UBS such that further efforts by the Division seeking or negotiating additional remedies available pursuant to IC 23-19-6-4, that could inure to the benefit of the trust, are unnecessary as to UBS.
7. In lieu of filing an administrative complaint and issuing a final audit report, UBS and the Division have entered into settlement negotiations. In order to amicably resolve this matter and avoid the expense, inconvenience and uncertainty of administrative proceedings, and without any admission of fault or wrongdoing by UBS or any of its current or former agents or employees, the parties agree as follows:
 - a. UBS waives its right to a hearing under Ind. Code § 23-2-1-17.1(b);
 - b. UBS waives its right to an appeal under Ind. Code § 23-2-1-20;
 - c. UBS, without admitting or denying liability, shall pay the Indiana Secretary of State Securities Division a penalty in the amount of \$450,000, and costs of the investigation in the amount of \$227,000.
8. This Consent Agreement is executed in the public interest to avoid the necessity and burden of a public hearing. It does not constitute an admission by or finding or determination against UBS of any facts or violations of the Indiana Uniform Securities Act or the rules and regulations promulgated thereunder and may not be used except in an action by the Division to enforce the obligations of UBS in this Consent Order. This Consent Order may neither be deemed nor used as an admission of or evidence of any alleged fault, omission, or liability of UBS in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or tribunal.
9. For any person or entity not a party to this Consent Order, this Consent Order does not limit or create any private rights or remedies against UBS, create, imply or impose any liability on UBS, or limit any defenses of UBS to any claims. The entry of this Consent Agreement merely reflects the parties' mutual desire to resolve this matter without the burden and expense of formal administrative proceedings.
10. The parties to this Consent Agreement agree that all terms of the Agreement are contractual and that none are merely recital.
11. This Consent Agreement may be executed in multiple counterparts, each of which shall be considered binding on all parties.
12. Payment of all amounts due the Division as provided herein shall be tendered to the Division with an executed copy of this Agreement.

JUN 09 2011

**STATE OF INDIANA
OFFICE OF THE SECRETARY OF STATE
SECURITIES DIVISION**

INDIANA
SECRETARY OF STATE

IN THE MATTER OF:)

UBS FINANCIAL SERVICES,)

the Respondent.)

) Cause No. 11-0042CO
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)
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)

Consent Agreement

The Office of the Indiana Secretary of State, Securities Division ("Division") and UBS Financial Services Inc., without admitting or denying any of the allegations herein, do hereby agree and offer this stipulation for the Securities Commissioner's approval pursuant to 710 IAC 4-12-6.

1. The Division has jurisdiction over this matter.
2. UBS Financial Services Inc. ("UBS") is a broker-dealer registered in the state of Indiana, with a CRD number of 8174.
3. Since May 2009, the Division has been investigating the relationship between the Indiana State Teachers Association Insurance Trust (the "Trust") and UBS. Included in that investigation was the retention of auditors, by the state, to perform a special audit of UBS pursuant to Indiana Code 23-2-1-16(d).
 - a. UBS has fully cooperated with the Division in both its investigation and the special audit by responding to inquiries, providing documentary evidence and other materials, and providing regulators with access to all necessary facts relating to the investigation.
 - b. The review revealed that between January 6, 2004 and April 28, 2009, ISTA subscribed to invest in thirteen private equity funds for a total investment of \$16.2 million.
 - c. Based on its investigation and the special audit, the Division has alleged that UBS failed to adequately supervise the suitability of the Funds for the Trust, in violation of 710 IAC 1-17-1(x).
4. In July 2009, the Trust filed suit against UBS and several other defendants alleging, among other things, violations of the Indiana Uniform Securities Act (the "Litigation") in connection with the investment in the Funds by ISTA.
5. UBS has recently entered into a confidential settlement agreement with the Trust regarding the investments at issue in both the investigation and the Litigation ("Settlement").