

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013037999901**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Brian Kenneth Edwards, Respondent
Investment Company and Variable Contracts Products Representative
CRD No. 6011762

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Brian Kenneth Edwards ("Edwards") was hired by State Farm Insurance in November 2010 as an unregistered Agency Field Specialist.

On December 22, 2011, Edwards became associated with State Farm VP Management Corp. ("the Firm"), a FINRA-regulated broker-dealer and affiliate of State Farm Insurance, when it filed a Form NRF (non-registered fingerprint individual) on his behalf.

In January 16, 2012, Edwards became registered with the Firm. He received his Series 6 and 63 licenses on January 16, 2012 and January 23, 2012, respectively.

In August 2012, Edwards became an independent sales agent of the Firm and State Farm Insurance. At or about such time, Edwards started his own insurance agency.

On August 8, 2013, the Firm filed a Form U5 disclosing that Edwards' relationship with State Farm Insurance terminated on July 31, 2013. Edwards' FINRA registration terminated on August 16, 2013.

From mid-August 2013 through present, Edwards has worked in a non-registered capacity as an independent sales agent for another insurance company. He is not currently associated with a FINRA-regulated broker-dealer.

Pursuant to Article V, Section 4(a) of FINRA's By-Laws, FINRA has jurisdiction over Edwards.

RELEVANT DISCIPLINARY HISTORY

Edwards has no prior formal disciplinary history in the securities industry.

OVERVIEW

During November 2012 through April 2013 (the "Relevant Period"), Edwards permitted his insurance agency to enter into a customer referral relationship with an individual who was unlicensed to sell insurance. The relationship, which violated Michigan law and the policies of his member firm and its insurance affiliate, created circumstances which allowed the unlicensed individual to misappropriate over \$6,900 in funds from the insurance affiliate's customers that were intended to pay insurance premiums. As a result, Edwards violated FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 2010 requires members and associated persons to observe high standards of commercial honor and just and equitable principles of trade, and encompasses unethical business-related conduct even if that activity does not involve a security.

Michigan law prohibits both the sale, solicitation or negotiation of insurance by an unlicensed individual, and licensed insurance agents from "appoint[ing], employ[ing] or in any manner receiv[ing] the benefit of business done or services rendered in [the] state by a person acting as a solicitor unless that person is so authorized to act by a written contract with the agent, he is licensed as a solicitor . . . and the agent has notified the [Michigan Insurance] [C]ommissioner in writing of the appointment."

During the Relevant Period State Farm Insurance's policies prohibited its agents from soliciting or selling insurance through parties that were either unlicensed by the state or not approved by State Farm Insurance to engage in such activities. The Firm's policies required that its associated individuals comply with State

Farm Insurance's policies and all applicable laws, rules and regulations, including the Michigan Insurance Code.

Also during such period, in violation of Michigan law and State Farm Insurance's policies, Edward's insurance agency ("Edward's Agency") entered into an informal customer referral relationship with an individual, JM, who was unlicensed to sell insurance. Edwards had knowledge of this relationship throughout the time that it existed.

In connection with this relationship, Edwards' Agency provided State Farm Insurance forms to JM, which JM used to solicit members of the public to purchase automobile insurance from State Farm Insurance through Edwards' Agency. After obtaining rate quotes from Edward's Agency, JM collected premiums in cash from those individuals who agreed to purchase insurance and forwarded the premiums to Edwards' Agency via his personal credit card.

In total, JM used his personal credit card to improperly make 68 insurance premium payments totaling approximately \$10,000 for 54 customer households to State Farm through Edwards' Agency.

JM did not remit to Edwards' Agency all of the insurance premiums that he collected from the customers. Instead, he misappropriated a total of over \$6,900 of such premiums from 43 customer households. The misconduct did not involve any securities or Firm customers.

In March 2013, Edwards learned that JM may have misappropriated his customers' insurance premiums. However, Edwards did not report the matter to State Farm Insurance, and did not terminate his agency's relationship with JM until April 2013.

Edwards permitted his insurance agency to enter into a customer referral relationship with JM, who was unlicensed to sell insurance. JM referred customers to Edward's Agency and made premium payments to State Farm Insurance on the customers' behalf.

By allowing his agency to enter into this relationship with JM, Edwards violated Michigan law and State Farm Insurance's policies, and thus the Firm's policies, and created circumstances whereby JM misappropriated funds of State Farm Insurance's customers that were intended as payments for insurance premiums.

Additionally, despite discovering JM's misconduct in March 2013, Edwards failed to report the misconduct to State Farm Insurance, and did not terminate his agency's relationship with JM until April 2013.

As a result of Edwards permitting his agency to enter into an improper referral relationship with JM, in violation of Michigan law and the policies of the Firm and State Farm Insurance, Edwards violated FINRA Rule 2010.

B. I also consent to the imposition of the following sanctions:

A 14-month suspension from associating with a FINRA member in any capacity and a \$5,000 fine.

The fine shall be due and payable either immediately upon reassociation with a member firm following the 14-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a

party.

- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

05/27/15
Date: 05/27/2015


Respondent

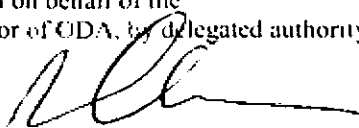
Reviewed by:


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Accepted by FINRA:

5/28/15
Date:

Signed on behalf of the
Director of ODA, by delegated authority


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