

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

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IN THE MATTER OF: THRIVENT INVESTMENT MANAGEMENT )  
INC., ITS MANAGERS, )  
OFFICERS, AFFILIATES, SUBSIDIARIES, )  
REPRESENTATIVES, AND ASSIGNS; ) File No. 1400359  
KAREN LYNN LARSON, as President; )  
ANDREA CORIN GOLIS, as Chief )  
Compliance Officer; AND PETER JAMES )  
BADO, as Chief Legal Officer )  
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**AMENDED NOTICE OF HEARING**

TO THE RESPONDENTS:

Thrivent Investment Management, Inc. (CRD #18387)  
Karen Lynn Larson  
Andrea Corin Golis  
Peter James Bado  
c/o Jeff Zeisman  
Attorney at Law  
Bryan Cave  
One Kansas City Place  
1200 Main St., Suite 3800  
Kansas City, MO 64105-2122

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 (the "Code"), a public hearing will be held at 421 E. Capitol Ave., 2<sup>nd</sup> Floor, Springfield, Illinois, 62701, on the 18<sup>th</sup> day of October, 2017 at the hour of 10:00 a.m. or as soon thereafter as counsel may be heard, before Jon Ellis or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order should be entered against the Respondents granting such relief as may be authorized under the Act, including, but not limited to, imposition of a monetary fine in the maximum amount, pursuant to Section 11.E(4) of the Act.

**Nature of the Case**

Thrivent Investment Management, Inc. ("Thrivent Investment") is a registered dealer with the Illinois Securities Department ("Department") and sells securities to Illinois residents. Thrivent Investment engaged in replacing its clients' existing variable annuities for new variable annuities which required the clients to pay surrender charges and various fees.

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Thrivent Investment violated the Illinois Securities Law (the "Act") by: (1) failing to maintain and enforce a supervisory system and adequate written procedures to achieve compliance with applicable securities laws and regulations; (2) failing to adequately review the sales and replacements of variable annuities for suitability; (3) failing to enforce its written procedures regarding documentation of sales and replacements of variable annuities; (4) failing to adequately train its salespersons, investment advisor representatives and principals; and (5) making material omissions to customers who were sold replacement variable annuities.

These failures resulted in violations of the Act, Section 12 A, F, G, H, I, J and subjects Thrivent Investment to sanctions pursuant to Section 8 of the Act, particularly under Sections 8.E.1(b), (e), (g), (m) and (q).

The grounds for this administrative action are as follows:

### Thrivent Investment's Registration

1. Thrivent Investment Management, Inc, (Thrivent Investment) is a business incorporated in the state of Delaware with a principal place of business at 625 Fourth Avenue South, Minneapolis, Minnesota, 55415-1665. It is a member of FINRA (Financial Industry Regulatory Authority), CRD #18387.
2. Thrivent Investment is a wholly owned subsidiary of Thrivent Financial Holdings Inc.; Thrivent Financial Holdings Inc. is the wholly owned subsidiary of Thrivent Financial for Lutherans ("Thrivent Financial").
3. Thrivent Investment (or its predecessors) has been registered as a broker-dealer in Illinois since July 20, 1987 and notice-filed as a federally covered investment adviser in Illinois since June 26, 2002.
4. As of July 13, 2017, Thrivent Investment had about 787 individuals registered in Illinois as Salespersons under its Broker-Dealer business and 131 individuals registered in Illinois as Investment Adviser Representatives under its Investment Advisory business.
5. As a registered Broker-Dealer and a notice filed investment adviser in the State of Illinois, Thrivent Investment is required under the Illinois Securities Act, and by the U.S. Securities and Exchange Commission ("SEC") and FINRA to supervise its employees, independent contractors, and registered representatives in order to ensure compliance with applicable Federal, State, and self-regulatory organization laws, rules, and regulations.

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6. Such duties include the requirements to create, maintain, and enforce written supervisory procedures in order to ensure compliance with applicable securities laws, rules, and regulations, create and test internal controls to ensure the efficacy of the written supervisory procedures and implement, provide and ensure training to its employees, independent contractors, and registered representatives regarding compliance, supervisory procedures and applicable State and Federal laws and regulations.
7. Thrivent Investment is required to maintain certain books and records evidencing its compliance with applicable securities laws, rules and regulations.
8. Thrivent Investment, its management, employees, salesperson, and investment adviser representatives are obligated not to engage in fraudulent, deceptive and manipulative acts and conduct.

**Thrivent Investment's Business Activities**

9. Thrivent Investment offers and sells mutual funds and variable products, including Variable Annuities, issued by Thrivent Financial for Lutherans (Thrivent Financial). Thrivent Investment also offers and sells non-affiliated mutual funds, variable products and other securities products.
10. Thrivent Investment also offers asset management and investment advisory services.
11. According to Morningstar, Inc., as of December 31, 2016, in 2016 Thrivent Financial sold \$2,902,000,000 of new Variable Annuity contracts nationwide. This made it number 11 out of 93 insurance company issuers for nationwide sales of Variable Annuities in 2016.
12. For the Fiscal Period of August 1, 2013 through July 31, 2014, Thrivent Investment had nationwide commission sales revenue of \$110,267,896.00 from the sale of Variable Annuities. Variable Annuities represented about 62% of total revenue of Thrivent Investment. 99% of all Thrivent Investment Variable Annuity sales were proprietary, meaning that they were issued and offered by affiliates of Thrivent Investment.
13. Thrivent Financial and Thrivent Investment's web site, advertising and literature provided to investors states that "Insurance products" are "issued or offered by Thrivent Financial" and "Securities and investment advisory services are offered through Thrivent Investment Management, Inc." and that it is a member of FINRA and SIPC (Securities Investor Protect Corporation).
14. Additionally, in its written materials, Thrivent Financial and Thrivent Investment describe Mutual Funds and Variable Annuities as broker-dealer products sold through Thrivent Investment.

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**Thrivent Investment's Top Management**

15. Karen Lynn Larson is the President of Thrivent Investment and has held this position since February 2013. She has passed the Series 6, 7, 24 and 26 FINRA exams.
16. Andrea Corin Golis is the current Chief Compliance Officer of Thrivent Investment and has held this position since February 2008. She has passed the Series 7 and 24 FINRA exams.
17. Peter James Bado is the current Chief Legal Officer of Thrivent Investment and has held this position since November 2014.
18. As the top level management for Thrivent Investment, these three persons are responsible for ensuring the firm's creation, administration and implementation of procedures, training and supervision to ensure firm-wide compliance with all applicable State and Federal Securities Laws and Regulations.

**Variable Annuity Features**

19. A Variable Annuity is a contract between an investor and an insurance company. The insurance company agrees to make periodic payments to the investor, beginning immediately or at some future date. The investor's capital is placed in underlying sub-account investments, such as stock, bond, and money market investments.
20. Variable annuities are registered with the SEC and are covered securities under the National Securities Market Improvement Act of 1996 (Public Law 104-290).
21. Variable annuities are one of the highest-cost investments available due to their insurance features. The costs make variable annuities very profitable and are why the financial advisors selling the products, typically, receive higher commissions than for other products, such as mutual funds and fixed annuities.
22. The basic insurance benefit associated with a variable annuity is the death benefit. If the investor dies before the company has started making payments to the investor, the beneficiary is guaranteed to receive the greater of: (i) all the money in the account, or (ii) some guaranteed minimum (such as all purchase payments minus prior withdrawals). The guarantee is only a benefit if the account value is less than the guaranteed amount at the time of the investor's death. Income is determined by applying the contract's maximum withdrawal percentage to the income base. The withdrawal percentage typically depends on

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age and whether income is to be continued after a spouse dies. It is possible to withdraw more than the maximum withdrawal percentage amount, but doing so reduces the income base and may reduce or eliminate the guaranteed lifetime income.

23. Variable annuities may provide income, but they are *not* suitable for short-term investors who need liquidity. If more than a set portion of the account value (often 10% - 15%) is withdrawn early (typically within the first 6 - 8 years), the company usually assesses a surrender charge. The surrender charge is a percentage of the amount withdrawn that declines gradually over a period of years and is a type of sales charge.
24. Variable annuities are tax-deferred, but are not tax-exempt like a Roth IRA or bought with pretax dollars like a deductible IRA or a 401(k). For most investors, it is advantageous to make the maximum allowable contributions to IRAs and 401(k) plans before investing in a variable annuity.
25. Section 1035 of the U.S. tax code allows investors to exchange, or switch, an existing variable annuity contract for a new annuity contract tax-free. Guarantees which have accrued may be forfeited when the existing contract is exchanged. Surrender charges will apply if the investment is being surrendered within the surrender charge period. If the new annuity has higher annual fees and charges than the old annuity, returns will be reduced. Additionally, a new surrender charge period is typically imposed.
26. Some Variable Annuities also provide for an extra death benefit in some situations. These options must be set up at the time the Variable Annuity is purchased and require payment of an extra fee.
27. Thrivent Investment sold Variable Annuities with the types of features, options, and constraints described in the preceding paragraphs to Illinois customers through its Illinois registered salespersons and investment advisor representatives.
28. Thrivent sold and/or exchanged the variable annuities for its clients as an investment and retirement vehicle. Thrivent Investment represented to variable annuity purchasers that the variable annuity that they sell "is an insurance product as well as an investment/securities product."

### Variable Annuity Sales Regulation

29. Over the past 15 years and longer, FINRA and the SEC have issued numerous rules, advisory documents, and investor alerts warning that the sale of variable annuities might be unsuitable and inappropriate under certain circumstances.

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30. The SEC has warned about the risks and costs of switching variable annuity contracts, encouraging investors to consider whether they can buy the insurance features less expensively as part of the variable annuity or separately.
31. FINRA has warned investors that switching, or exchanging, an annuity contract is generally *not* a good idea, due to bonus recapture charges, surrender charges, higher charges accompanying the new contract, unnecessary riders on the new contract, and whether the advisor is motivated by commissions.
32. FINRA has stated that much of the sales growth of variable annuities in recent years has been from Section 1035 Exchanges, but attractive new features are *not* necessarily enough to make switching beneficial.
33. FINRA has made it clear that switching is not to be recommended unless it is in the client's best interest and then only after evaluating the client's personal and financial situation and needs, tolerance for risk, and the financial ability to pay for the proposed contract.
34. FINRA has said that 1035 exchanges require a cost-benefit analysis. The advisor should demonstrate how the new contract *economically* benefits a client and is *economically* better than the old contract. Clients should be informed about *all* of the expenses associated with the new contract. And both the advisor and the advisor's supervisor should know about the product being sold, including the pros and cons.
35. Variable Annuity sales and supervisory practices have also been a subject of several enforcement actions by the Department involving registered dealers and individuals.

**Thrivent Investment's Written Policy**

36. Thrivent Investment's July 11, 2014 policy (Thrivent Investment Policy) states that in accordance with FINRA Rule 2111 all Registered Representative must have a reasonable basis to believe that a recommended securities transaction, or any investment strategy involving a security or securities is suitable for the customer based upon information obtained from the customer. A customer's investment profile includes, but is not limited to:
  - a. The customer's age
  - b. Other investments
  - c. Financial situation and needs
  - d. Tax status

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- e. Investment objectives
  - f. Investment experience
  - g. Investment time horizon
  - h. Liquidity needs
  - i. Risk tolerance
  - j. Any other information the customer discloses.
37. Additionally, Thrivent Investment's Policy sets forth the additional factors for older investors, while not defining what is meant by an older investor:
- a. Current and future prospects for employment
  - b. Primary expenses including whether the customer still has a mortgage
  - c. Sources of income and whether it is fixed or will be in the future
  - d. Income needed to meet fixed or anticipated expenses
  - e. Savings for retirement and how they are invested
  - f. Liquidity needs
  - g. Proportion of net worth to initial investment amount
  - h. Financial and investment goals (income needs, preservation of capital, accumulation of assets for heirs)
  - i. Health care insurance, long term care insurance, and future need to fund healthy costs
  - j. Any other factors that may be relevant to a specific customer.
38. Thrivent Investment Policy states that registered representatives are required to have a reasonable basis to believe that a recommendation is suitable. Suitability requirements also apply for recommending transactions involving Variable Annuities.
39. Additional requirements apply for Variable Annuity exchanges (Switches or Replacements).

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40. Thrivent Investment Policy provides that a Suitability Team will review each proposed exchange or qualified 1035 exchange, initiated on behalf of a Thrivent Investment customer, to verify that the transaction is suitable for the customer.
41. However, Thrivent Investment's Policy did not provide sufficient guidance to the registered representatives or Suitability Teams to ensure an adequate review of the Variable Annuity exchange transactions.
42. For example, the Investment Policy contained inadequate guidance on how to consider the following factors: an explanation of the benefits or replacing one annuity with another; customer liquidity; comparison of cost structures between contracts; and surrender charges.

**Thrivent's Variable Annuity Replacements**

43. Some time before 2012, Thrivent Financial, issuer of Variable Annuities, rolled out a new feature to its Variable Annuity. This feature consisted of adding a Optional Living Benefit Rider called a Guaranteed Lifetime Withdrawal Benefit (GLWB) to the Variable Annuity in return for a rider fee.
44. The 2012 issued variable annuity was recommended and sold by Thrivent Investment's registered salespersons and investment advisor representatives.
45. Thrivent Financial issued and offered only one Variable Annuity. Other than the addition of the GLWB, no other significant changes were made to features and terms of this Variable Annuity.
46. During the time period of January 2011 through June 2014, Thrivent Investment transacted in Illinois approximately 282 replacement/exchange transactions of legacy Thrivent Financial Variable Annuities for new Thrivent Financial Variable Annuities.
47. All of these transactions involved Thrivent Investment brokerage accounts and in most cases the investors filled out a new account opening and suitability document as part of the Variable Annuity replacement transaction.
48. These transactions followed a similar pattern. They involved a replacement of a Thrivent Financial Variable annuity (or a Variable Annuity issued by a Thrivent Financial affiliate) that had been held by the investor for a period past its surrender period with over 20 replacements involving persons 65 years or older.
49. In over 50 transactions, the investor was solicited and recommended to purchase a GLWB rider.

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50. The GLWB is marketed and sold by Thrivent Investment and its Salespersons and Investment Adviser Representatives as a means for investors to receive guaranteed income for their life time.
51. This rider was only available on the Thrivent Financial new Variable Annuity (although it may have also been available on Variable Annuities issued by other firms) and is available only for contract owners who are between 50 and 85 years old.
52. The GLWB Rider, while in force, is stated to guarantee the return of the investment through a series of withdrawals (Guaranteed Withdrawal Amounts). The Guaranteed Withdrawal amounts are guaranteed for life, even if the accumulated value of the Variable Annuity is depleted. However, should the investor, at any time, make an excess surrender from their Variable Annuity this will negatively impact the benefit base and thus lower the guaranteed periodic withdrawal amount.
53. At least one investor who had invoked the GLWB rider and was receiving payments withdrew an excess amount for expenses resetting her benefit base to a lower amount and thus reduced her future monthly withdrawal amount.
54. Under the terms of the GLWB Rider the investor may not begin withdrawals until age 62 and must pay a current rider fee from .50% to .75% (which may be increased at the election of Thrivent Financial up to a maximum of 1.25%).
55. Furthermore, upon selection of the GLWB rider, the contract owner is limited in the sub-account options they may select and after July 2014, new purchasers of the GLWB Rider may only choose one investment option in their sub accounts (Thrivent Moderately Conservative Allocation). Transfers to other subaccounts are prohibited.

**Lack of Adequate Review**

56. In certain transactions, the investor was 50 years or older, had held the Variable Annuity past the required surrender period and had a Variable Annuity issued by Thrivent Financial or an affiliated issuer.
57. Thrivent Investment customers were recommended and advised by their Thrivent Investment securities salesperson, who in many cases were dually registered as an investment adviser representative, to replace their legacy Thrivent Financial Variable Annuity with a new Thrivent Financial Variable Annuity.

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58. In accordance with Thrivent Investment policy, the salespersons and investment advisor representatives were required to have a reasonable basis for the exchange and to document their review, analysis and the facts supporting the reasonable basis for the exchange.
59. The reason given by the salespersons and advisors for each and every one of these transactions was that the client wanted and would benefit from the GLWB.
60. However, no economic analysis of the transactions to determine if the client would benefit from the GLWB rider was contained in the records for these transactions and none was conducted.
61. The following examples are illustrative of the transactions analyzed by the Department:
  - A. Investor CA, aged 81 years old at the time, was recommended to replace a legacy Variable Annuity in order to purchase a new Thrivent Financial Variable Annuity with a GLWB rider. CA's GLWB rider would pay, when commenced, \$553.08 per month. However if CA had kept the legacy Variable Annuity and annuitized for a 20 year period and received payments till age 101, the monthly payment would have been \$578.54 per month or a difference of \$6,110.40 over the 20 year period.

Additionally, CA's replacement transaction documents noted the following: "He has been granted an age of issue exception by [TB], pending a full suitability review."

No full suitability review was conducted to justify the transaction and the Suitability Review team failed to follow up on the exchange transaction by contacting the investor by telephone, as required by Thrivent Investment Policy.

- B. Investor DV, aged 79 years old at the time, was recommended to replace a legacy Variable Annuity with a new Thrivent Financial Variable Annuity with a GLWB rider. Soon after the replacement transaction, DV has commenced receiving payments under the GLWB rider of \$686.38 per month. However if DV had kept the legacy Variable Annuity and annuitized for a 20 year period and received payments till age 99, the monthly payment would have been \$846.11 per month and a difference of \$38,335.20 over the 20 year period.
    - C. Investor RG, aged 68 years old at the time, was recommended to replace a legacy Variable Annuity with a new Thrivent Financial Variable Annuity with a GLWB rider. Soon after the replacement transaction, RG has commenced receiving payments under the GLWB rider of \$254.68 per month. However if RG had kept the legacy Variable Annuity and annuitized for a 20 year period and received payments till age 88, the monthly payment would have been \$375.56 per month and a difference of \$61,123.20 over the 20 year period.

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- D. Investor LM, aged 65 years old at the time, was recommended to replace a legacy Variable Annuity in order to purchase a new Thrivent Financial Variable Annuity with a GLWB rider. LM's GLWB rider would pay, when commenced, \$350.37 per month. However if LM had kept the legacy Variable Annuity and annuitized for a 20 year period and received payments till age 85, the monthly payment would have been \$581.27 per month or a difference of \$55,416 over the 20 year period.
- E. Investor LL, aged 68 years old at the time, was recommended to replace a legacy Variable Annuity with a new Thrivent Financial Variable Annuity with a GLWB rider. Soon after the replacement transaction, LL has commenced receiving payments under the GLWB rider of \$1561.58 per month. However if LL had kept the legacy Variable Annuity and annuitized for a 20 year period and received payments till age 88, the monthly payment would have been \$2394.42 per month and a difference of \$199,881.60 over the 20 year period.
62. Thrivent's salespersons and advisors failed to analyze the difference in the fixed rate of interest in their suitability analyses and omitted explaining this interest aspect to investors.
63. The review by supervisors and/or the Suitability Team was inadequate and lacked follow up to ensure compliance with suitability requirements. Rather than conduct an independent suitability review, the firm's supervisors/Suitability Team primarily relied upon the registered representative's determination of suitability.
64. Thrivent's written supervisory procedures also required proper documentation for the recommendation to exchange a variable annuity. Thrivent did not adequately enforce this requirement. For example, numerous replacement documents provided inadequate or inaccurate information to the investor regarding the costs, features and benefits of the legacy and new Variable Annuities. Furthermore, there was not clear documentation that these errors had been corrected and communicated in writing to the investors.
65. Supervisors failed to recognize and address the recommendation and replacement of the same products with the same features and justifications to a divergent group of customers by Thrivent Investment Salespersons and Investment Adviser Representatives.

**Inadequate Training and Tools**

66. Thrivent Investment's implementation and training regarding Variable Annuity Sales Practice is inadequate.

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67. Thrivent Investment failed to provide adequate training and tools to its Salespersons in order to comply with the suitability requirements for Variable Annuity transactions.
68. Thrivent Investment's salespersons and investment advisor representative were not trained in the necessary and required steps that needed to be taken to determine suitability prior to making a Variable Annuity purchase or exchange recommendation.
69. This lack of training included training on how to conduct an economic analysis of the costs and benefits of a replacement transaction and purchase of the GLWB rider by the investor.
70. Additionally, Thrivent Investment failed to provide or provided inadequate tools and software programs to allow their Salespersons to conduct a suitability analysis for Variable Annuity recommendations.
71. For example Thrivent Investment Financial Adviser, MP, prepared a hypothetical illustration for a 20 year period for his clients regarding the performance of a new Thrivent Variable Annuity which assumed performances of over 10% net of fees when in fact the historical performance for all of the sub account options for the Thrivent VA over a 10 year period were all less than 10% and none of them had historical performances of over 20 years.
72. MP stated that that the hypothetical illustration was prepared by his staff using Thrivent Financial software programs and that the performance rates were those assumed by the Thrivent Financial program.

**Omitting or Inadequately Informing Investors of Material Information**

73. Thrivent Investment investors were not sophisticated and did not understand the costs, features, benefits and risks of the Variable Annuity replacement transaction recommended to them by Thrivent Investment Financial Advisors.
74. Investors have been misled and or inadequately informed regarding material information relevant to their variable annuity replacement transaction, the GLWB rider, and fees.
75. Investors stated that they discussed with their Thrivent Investment brokers investment and retirement planning. LL stated that the variable annuity transaction was market driven and because LL was nearing retirement.
76. For example investor, RG, gave the following reason for the replacement: "It was about retirement income...the second one gave us a guarantee of income that would not drop; could only gain."

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77. Additionally, RG stated he had been informed by his broker about the fees RG was paying and that the fees were 1% when in fact the fees RG is currently paying are over 2.5%.
78. Investor LM stated: "Fees do not lower the value."
79. That is incorrect in that fees clearly lower the performance of the investment and therefore its value because the fees are deducted from the Variable Annuities sub accounts on a quarterly basis.
80. Investor LL stated that the GLWB rider would: "Always receive same amount every month. It will never go down in value...can go up, but not down."
81. LL's broker told LL that "LL has no fees because LL has enough invested and had been with the company so long."
82. In fact, LL is paying over 2% in fees for the new Variable Annuity.
83. Thrivent Investment in its account statements does not clearly disclose and set forth the actual dollar amount that investors are paying in fees for their Variable Annuities.
84. Thrivent Financial is a fraternal benefit society and the Variable Annuities issued by it are not eligible or covered by the Illinois insurance guarantee fund. Additionally, as a Fraternal Benefit Society it members, including Illinois Variable Annuity investors that could be subject to a monetary assessment should there be an impairment of the financial condition of Thrivent Financial.
85. Thrivent Investment failed to train or adequately train its salespersons and investment advisers regarding this material information.
86. Thrivent Investment salespersons and investment adviser representatives failed to inform Thrivent Financial Variable Annuity investors of this material information.

Violations of the Act

87. Section 12.A of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to offer or sell any security except in accordance with the provisions of the Act.
88. 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

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sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.

89. 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 the light of the circumstances under which they were made, not misleading.
90. 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.
91. At all times relevant hereto, Thrivent Investment and Thrivent Financial earned millions of dollars in fees from clients without requiring its advisors to disclose all true material facts, in violation of its Rule 853 of the Rules and Regulations Under the Illinois Securities Law of 1953, 14 Admin Code 130.100 et seq., that provides: "Effecting or causing to be effected by or for any client's account, any transactions of purchase or sale which are excessive in size or frequency or unsuitable in view of the financial resources and character of the account, shall constitute an act, practice, or course of business on the part of the registered investment adviser or its representatives effecting such transactions or causing the transactions to be effected that is fraudulent, deceptive or manipulative."
92. Section 12.J of the Act provides, *inter alia*, that it shall be a violation of the Act for any person when acting as an investment adviser, investment adviser representative, or federal covered investment adviser, by any means or instrumentality, directly or indirectly:
  - a. To employ any device, scheme or artifice to defraud any client or prospective client;
  - b. To engage in any transaction, practice, or course of business which operates a fraud or deceit upon any client or prospective client; or
  - c. To engage in any act, practice, or course of business which is fraudulent, deceptive or manipulative.
93. At all times relevant hereto, Thrivent Investment, a federal covered investment adviser, had in place a supervisory system and procedures which, along with its corporate culture, enabled the recommendation and approval of unsuitable and not in the best interests of the investor Variable Annuity transactions in the State of Illinois.
94. At all times relevant hereto, Thrivent Investment's practices and course of business in connection with the sale or purchase of Variable Annuities was fraudulent, deceptive, and/or manipulative. Thrivent Investment, a federal covered investment adviser, effected or

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caused to be effected unsuitable and not in the best interest of the investor Variable Annuity transactions in the State of Illinois.

95. By virtue of the foregoing, the Respondents have violated sections 12.A, F, G, H, I and/or J of the Act.
96. Section 8.E.1(b) provides, *inter alia*, that the registration of an investment adviser, investment adviser representative, dealer, or salesperson may be suspended or revoked if the Secretary of State finds that the investment adviser, investment adviser representative, dealer, or salesperson has engaged in any unethical practice in connection with any security; the offer or sale of securities or any fraudulent business practice.
97. Thrivent Investment, a federal covered investment adviser, has engaged in fraudulent business practices, as stated above.
98. Section 8.E.1(e) provides, *inter alia*, that the registration of a dealer, salesperson, or registered principal of a dealer may be suspended or revoked if the Secretary of State finds that the dealer, salesperson, or registered principal of a dealer (i) has failed reasonably to supervise the securities activities of any of its salespersons or other employees and the failure has permitted or facilitated a violation of Section 12 of the Act; or (ii) has failed reasonably to supervise the implementation of compliance measures following notice by the Secretary of State of noncompliance with the Act or with the regulations promulgated thereunder or both or (iii) 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.
99. Thrivent Investment, a registered dealer, has failed to reasonably supervise its advisors. That failure to supervise has permitted and facilitated violations of Section 12 of the Act by numerous salespersons, who recommended unsuitable variable annuity transactions. Furthermore, Thrivent Investment has failed to enforce its written procedures which were designed to achieve compliance with the Act.
100. Section 8.E.1 (g) provides, *inter alia*, that the registration of an investment adviser, investment adviser representative, dealer or salesperson may be revoked or suspended if the investment adviser, investment adviser representative, dealer or salesperson has violated any provisions of the Act.
101. Section 8.E.1 (m) provides, *inter alia*, that the registration of an investment adviser, investment adviser representative, dealer, or salesperson may be suspended or revoked if the Secretary of State finds that the investment adviser, investment adviser representative, dealer, or salesperson has conducted a continuing course of dealing of such nature as to demonstrate an inability to properly conduct the business of the investment adviser or investment adviser representative.

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102. Section 8.E.1 (q) provides, *inter alia*, that the registration of an investment adviser, investment adviser representative, dealer, or salesperson may be suspended or revoked if the Secretary of State finds that the investment adviser, investment adviser representative, dealer, or salesperson has failed to maintain the books and records required under this Act or rules or regulations promulgated under this Act or under any requirements established by the SEC or a self-regulatory organization, such as FINRA.
103. By virtue of the foregoing, Thrivent Investment's registration is subject to suspension or revocation pursuant to Section 8.E.1 (b), (e), (g), (m) and (q) of the Act.
104. 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 an order of censure or a fine as provided by rule, regulation or order not to exceed \$10,000 for each violation of the Act.
105. Section 11.F(1) of the Act provides, *inter alia*, that the Secretary of State may prohibit or suspend a dealer or salesperson from engaging in the business of selling or offering for sale securities or prohibit or suspend a person from acting as an investment adviser, federal covered investment adviser, or investment adviser representative after an opportunity for hearing is given to the person(s) concerned.
106. By virtue of the foregoing, the Respondents are subject to (i) a fine of up to \$10,000 per violation, (ii) an order of censure, (iii) an order which permanently prohibits them from offering or selling securities and from acting as a federal covered investment adviser, and (iv) an order that suspends or revokes Thrivent Investment's dealer registration in the State of Illinois.

You are further notified that you are required pursuant to Section 130.1104 of the Code to file an answer to the allegations outlined above or other responsive pleading within ten (10) days of the receipt of this Notice. A failure to do so within the prescribed time shall be deemed an admission of the allegations contained in the Amended Notice of Hearing and waives your right to a hearing.

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You may be represented by legal counsel, present evidence, cross-examine witnesses and otherwise participate. However, a failure to appear shall constitute default.

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

ENTERED: This 17<sup>th</sup> day of July, 2017

A handwritten signature in cursive script that reads "Jesse White". The signature is written in black ink and is positioned above the printed name.

JESSE WHITE  
Secretary of State  
State of Illinois

Attorneys for the Secretary of State  
David Finnigan  
Thomas Hoffmann  
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