

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF:)

THRIVENT INVESTMENT MANAGEMENT)
INC.)

File Nos. 1400359 and 1700167

CONSENT ORDER

TO THE RESPONDENT:

Thrivent Investment Management Inc.
c/o James Odland
Vice President and Managing Counsel
Thrivent Investment Management Inc.
600 Portland Avenue S., Suite 800
Minneapolis, MN 55415-4402

WHEREAS, Thrivent Investment Management Inc. (the "Respondent") on July, 10th, 2020 executed a certain Stipulation to Entry of Consent Order (the "Stipulation"), which hereby is incorporated by reference herein;

WHEREAS, by means of the Stipulation, the Respondent has, for the purposes of agreeing to the terms of this Consent Order only, and for the purposes of the above File Nos. only, admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearings and Amended Notice of Hearing in these matters and the Respondent has consented to the entry of this Consent Order, for the purposes of these matters;

WHEREAS, the Secretary of State, by and through his designated representative, the Director, has determined that the matter related to the aforesaid formal hearings may be dismissed without further proceeding.

FINDINGS OF FACTS

WHEREAS, the Respondent has acknowledged and agreed, without admitting or denying the truth thereof, that the allegations contained in the Consent Order shall be adopted as the Secretary of State's Findings of Facts as follows:

Registration History

1. Thrivent Investment Management Inc. ("Thrivent Investment") is a business incorporated in the state of Delaware with a principal place of business at 600

Portland Avenue S., Suite 800, Minneapolis, Minnesota, Minneapolis, MN 55415-4402, and 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 a wholly owned subsidiary of Thrivent Financial for Lutherans ("Thrivent Financial").
3. Thrivent Investment (or its predecessors) has been registered as a Dealer in Illinois since July 20, 1987.
4. As of July, 2020, Thrivent Investment had about 742 individuals registered in Illinois as Salespersons under its Broker-Dealer business.

Broker-Dealer Books-And-Records Requirements

5. As a registered Broker-Dealer Thrivent Investment is required under the Illinois Securities Act, and by the U.S. Securities and Exchange Commission ("SEC") and FINRA to maintain certain books and records evidencing its compliance with applicable securities laws, rules and regulations.
6. Among these books and records requirements is that, with respect to a variable annuity ("VA") transaction, a registered Salesperson should appropriately document the reason regarding why the transaction was suitable. In the case of a replacement transaction, the registered Salesperson should also appropriately document reasons regarding why the replacement transaction may be appropriate, considering (among other things) whether (1) the customer will incur surrender charges or new surrender periods, (2) lose riders or features on the legacy contract, and (3) benefit from product improvements on the new contract.
7. Further, a registered principal, upon reviewing a replacement transaction, should appropriately document their review of that transaction and the determination they made regarding the suitability of the transaction.

Thrivent Investment's Replacement Process During Relevant Period

8. In 2007, Thrivent Financial, an issuer of Variable Annuities, released a new feature to the Variable Annuities that it issued. This feature consisted of adding a Guaranteed Lifetime Withdrawal Benefit ("GLWB") rider to the VA (collectively, "GLWB VA"), in return for a rider fee. To purchase the GLWB rider, a Thrivent Investment customer had to be at least 50 years old.
9. The GLWB VA was recommended and sold to Illinois residents by Thrivent Investment's registered Salespersons.
10. From the period January 1, 2011 - June 30, 2014 ("the Relevant Period"), Thrivent Financial issued and offered for sale only one deferred VA, the 2005 Flexible Premium Deferred VA ("2005 VA"). No significant changes were made to the 2005 VA during the Relevant Period. The GLWB rider could only be acquired with the

2005 VA; it could not be purchased with, or attached to, prior Thrivent Financial VAs.

11. During the Relevant Period, Thrivent Investment and its Salespersons recommended certain replacement transactions ("the replacement transactions"), in which a Thrivent Investment customer would replace a legacy Thrivent Financial VA for a Thrivent Financial VA with a GLWB VA rider.
12. All of the replacement transactions occurred in customers' Thrivent Investment Broker-Dealer accounts.
13. The GLWB VA was marketed and sold by Thrivent Investment and its Salespersons as a means for investors to receive guaranteed income for their life time. In certain instances, Thrivent Investment customers were recommended and advised by their Thrivent Investment Salespersons to replace their legacy Thrivent Financial VA with the GLWB VA.
14. Under the terms of the GLWB rider the customer could not begin withdrawals until age 62, had to pay the rider fee from .50% to .75%, and that rider fee could be increased to 1.25%.
15. For most of the Relevant Period, the terms of the GLWB Rider limited the Thrivent Investment customer to three subaccounts: moderate aggressive, moderate and moderate conservative.
16. In certain instances during the Relevant Period, Thrivent Investment Salespersons failed to sufficiently document reasons explaining why the replacement transactions were appropriate for the particular investor.
17. In certain instances during the Relevant Period, Thrivent Investment registered principals failed to sufficiently document the determinations they made regarding the suitability of the replacement transactions.

**THRIVENT INVESTMENT'S REVISED PROCESSES, TRAINING AND FORMS
REGARDING REPLACEMENT TRANSACTIONS
SINCE THE RELEVANT PERIOD**

WHEREAS, the Respondent has represented that it has revised its processes, training, and forms regarding replacement transactions since the Relevant Period as follows:

18. Thrivent Investment has represented that it has modified its procedures, processes, training and forms regarding replacement transactions since the Relevant Period.
19. With respect to replacement transactions involving certain financial products, Thrivent Investment requires the completion of an "Asset Transfer Disclosure" ("ATD") form. The ATD form is used in instances in which a Thrivent Investment customer transfers funds from an existing financial product to a new product. The ATD form requires detailed information to be disclosed to the customer regarding the existing financial product and the new product. Such disclosure includes information regarding benefits, including insurance benefits where applicable, being

surrendered on the existing product. Such disclosure also includes identification of various fees and costs relating to both the existing and new products, and surrender information relating to both the existing and new products. Thrivent Investment has represented that it has modified this form since the Relevant Period.

20. Further, both the ATD form and a separate Thrivent Investment Suitability Information form require information regarding the reason(s) the new financial product is in the best interest of the Thrivent Investment customer. Specifically, these forms require a brief description regarding the proposed transaction, on such issues as: (1) why the existing product no longer meets the client's needs, (2) apart from the new product, what other financial products or options were considered, and (3) why the new financial product is more advantageous to the client than the existing product. Thrivent Investment has represented that it has modified this form since the Relevant Period.
21. On June 5, 2019, the SEC adopted Rule 15c-1 ("Regulation Best Interest" or "Reg. BI") under the Securities Exchange Act of 1934. Reg. BI has a compliance date of June 30, 2020.
22. As a part of its implementation of Reg. BI, Thrivent Investment will require training for all Thrivent Investment registered representatives (including but not limited to those registered as Salespersons in Illinois) regarding completion of the ATD and Suitability Information forms, and the necessity of obtaining all relevant information from Thrivent Investment customers to ensure accurate completion of the forms. Also included in the required training for Thrivent Investment registered representatives are various tools Thrivent Investment makes available to assess best interest and product suitability considerations, including: (1) reports and data from Morningstar, (2) the Thrivent Financial Retirement Income Summary (which outlines techniques for structuring retirement income solutions), and (3) MoneyGuidePro (which uses various customer financial data points and assumptions to assist customers in meeting their lifetime financial goals).

CONCLUSIONS OF LAW

WHEREAS, the Respondent has acknowledged and agreed, without admitting or denying the truth thereof, that the allegations contained in the Consent Order shall be adopted as the Secretary of State's Conclusions of Law as follows:

23. Section 8.E.1(q) of the Act requires a Broker-Dealer 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).
24. 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; an order of censure; and charge all reasonable expenses as costs of investigation.

25. That by virtue of the foregoing the Respondent, Thrivent Investment, is subject to sanction and censure.
26. That by virtue of the foregoing the Respondent, Thrivent Investment, violated Section 8.E.1(q) by failing to maintain appropriate books-and-records during the Relevant Period.

NOW THEREFORE IT IS HEREBY ORDERED THAT:

27. Thrivent Investment Management Inc. and/or its Parents and Affiliates shall file documents requesting the dismissal with prejudice by the court of any actions, complaints, claims, counterclaims or pleadings filed by Thrivent Investment Management Inc. and/or its Parents and Affiliates against the Illinois Secretary of State or any of its employees or agents in any jurisdiction, including but not limited to Cook County Circuit Court cases 18 CH 2805 and 17 CH 15923 within five (5) business days of the entry of this Consent Order.
28. The Department shall file documents with the Illinois Attorney General requesting the dismissal with prejudice by the court of any actions, complaints, claims, counterclaims or pleadings filed by the Department against Thrivent Investment Management Inc. and/or its Parents and Affiliates, including but not limited to Cook County Circuit Court cases 18 CH 2805 and 17 CH 15923 within two (2) business days of the entry of this Consent Order.
29. The administrative actions Nos. 1400359 and 1700167 are hereby dismissed upon entry of this Consent Order. Such dismissal of administrative actions Nos. 1400359 and 1700167 will fully conclude those matters and any other action that the Department could commence under applicable Illinois law as it relates to the substance of the Findings of Fact and Conclusions of Law herein, or any issues or allegations that could have been brought relating to those matters.
30. Respondent, Thrivent Investment Management, Inc., shall make a monetary payment of ~~250,000.00 to the Securities Investor Education Fund~~. The check will be made payable to the Illinois Secretary of State, Securities Investor Education Fund, within 10 business days of entry of this Consent Order, be mailed or delivered to the Illinois Securities Department, 69 West Washington Street, Suite 1220, Chicago, IL 60602.
31. This Consent Order is not intended to subject Respondent, or any of its affiliates and their current or former officers, directors, agents, or employees, to any disqualifications under the laws of the United States, any state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands, or under the rules or regulations of any securities or commodities regulator or self-regulatory organization, including, but not limited to and without limitation, any disqualification from relying upon State or Federal registration exemptions or safe harbor provisions. In addition, this Consent Order is not intended to form the basis for any such disqualification.

32. This Consent Order is not intended to disqualify Respondent, or any of its affiliates and their current or former officers, directors, agents, or employees, from any business that they otherwise are qualified, licensed, or permitted to perform under applicable securities laws or regulations of Illinois, and any disqualification from relying upon this state's registration exemptions or safe harbor provisions that arise from the Consent Order are hereby waived.
33. This Consent Order shall be binding upon Respondent and assigns, as well as to successors and assigns of relevant affiliates, with respect to all conduct subject to the provisions above and all future obligations, responsibilities, commitments, limitations, restrictions, events, and conditions.
34. Thrivent Investment Management Inc. acknowledges and agrees that the Illinois Securities Department shall retain jurisdiction over this proceeding for the sole purpose of enforcing the terms and provisions of the Consent Order.

ENTERED: This 10th day of July, 2020



JESSE WHITE
Secretary of State
State of Illinois

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