STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
DIVISION OF SECURITIES
JOHN O. PASTORI CENTER, BUILDING 68-2
1511 PONTIAC AVENUE
CRANSTON, RI 02920

IN THE MATTER OF	:	
	:	**DBR No. 18-SC- 006**
Karen M. Emma	:	
	:	
Respondent	:	

CONSENT AGREEMENT

I.

The Securities Division ("Division") of the Rhode Island Department of Business Regulation ("Department") enters into this Consent Agreement ("Agreement") to resolve concerns that the Rhode Island Uniform Securities Act of 1990 ("RIUSA"), § 7-11-101 *et seq.* of the Rhode Island General Laws, 1989, as amended may have been violated by Karen M. Emma ("Respondent"). The Division has determined to resolve this matter, after investigation but without instituting administrative proceedings, by entering into this Agreement. Respondent has consented to the entry of this Agreement for purposes of settlement only, with the express understanding that this Agreement does not constitute an admission of the facts as alleged herein; nor does it constitute a final order, decree or directive of the Department issued pursuant to statute or regulation; however it does constitute a final action for the purpose of determining disclosure under R.I.G.L. 38-2-1 et. seq.

II.

It is hereby agreed by and between the Division and Respondents that:

1. The Respondent, CRD 4051573, has been licensed as both a sales representative and investment adviser in this State since January 2000 and May 2002 respectively. Respondent is currently affiliated with Royal Alliance Associates, Inc. ("Firm") located at 945 Reservoir Avenue, Cranston, RI 02910 D/B/A Universal Wealth Management, LLC;
2. On March 8, 2016, the Securities Division ("Division") received a complaint from K.D. and N.M. ("Complainants") alleging that Respondent misrepresented her advisory management fee. Complainants state that during their initial meeting with Respondent in the fall of 2012, Respondent agreed to match the 0.75% management fee for the "KD Family Portfolio" and the "NM Family Portfolio" if Complainants became Respondent's clients. Complainants also allege that they signed agreements with Respondent which indicated that there would be a 0.75% management fee for the "KD Family Portfolio" and the "NM Family Portfolio" however, Complainants never received a copy of the signed agreements. The Division is in possession of documents signed by KD on November 7, 2012 and by NM on October 23, 2012 which disclose a management fee of 1%;
3. Respondent asserted that she would not, and could not, have offered to manage Complainants' accounts for the 0.75% fee since the minimum fee Royal Alliance and its affiliates would allow for these types of investments was 1% and the typical fee charged was 1.30% to 1.5%.
4. The Complainants provided hardcopy spreadsheets to the Division to support their complaint and allege that said documents were provided by the Respondent during an in-

person meeting in 2014. Said documents entitled, "KD Family Portfolio" and "NM Family Portfolio" show account values as of April 15, 2014, and a 0.75% management fee;

5. Respondent contested that said spreadsheets submitted to the Division by Complainants entitled "KD Family Portfolio" and "NM Family Portfolio", were the Respondent's original spreadsheet that she had previously provided to Complainants. Respondent alleged that she gave Complainants a one-page spreadsheet outlining only the actual transferred assets with no reference to fees, not a two-page spreadsheet, during an in-person meeting between the parties. Respondent further contends that either: (i) Complainants reproduced Respondent's original hardcopy spreadsheet by creating a new spreadsheet in Microsoft Excel, adding additional columns, and creating account values as of April 15, 2014; or, (ii) Complainants obtained a copy of Respondent's electronic version spreadsheet from their attorney, with whom Respondent shared an electronic copy;

6. In response to Respondent's assertions regarding the spreadsheets, Complainants contend that Respondent created the two-page spreadsheet and that they did not create any spreadsheet;

7. At the Division's request, Respondent provided an electronic copy of the spreadsheet which consisted of only page 2 of the "NM Family Portfolio". The investigation of the electronic properties of the spreadsheet revealed that page 2 of the "NM Family Portfolio" was created on November 5, 2007, and authored by "Rob" at Empire Financial. It should be noted that Respondent has an association with Empire Financial as evidenced by outside business activity listed on the Central Registration Depository (CRD) which states that Respondent is also a Partner with Elm Associates, Inc. at 146 Clifford St. Providence, RI 02903, which is a shared office with Empire Financial;

8. Division investigation further revealed that the hardcopy two-page spreadsheet provided by the complainants for the "KD Family Portfolio" and the "NM Family Portfolio", have the same formatting, sizes and color as the electronic version submitted by Respondent. Additionally, the spreadsheet indicated a 0.75% management fee;
9. Complainants both confirmed to the Division that an electronic version of the spreadsheet was never provided by Respondent to the Complainants. Respondent agrees;
10. It is the belief of the Division that the Respondent may have created the two page spreadsheet and included the value of a variable annuity that was not subject to a 1% advisory fee and, thus, may have misrepresented that a lower fee was being charged in violation of RI Securities Regulations Rule 212(a)-1(C)(8), which provides, inter alia, as follows:

> 7-11-212 (b)(8) has engaged in unethical or dishonest practices in the securities business;
>
> Rule 212(a)-1(C)(8) Misrepresenting a material fact to any advisory client, or prospective advisory client with regard to the qualifications of the investment adviser or any person associated with the investment adviser, or the nature of the advisory services being offered or the fees to be charged for such service, or omitting to state a material fact necessary to make the statements made regarding qualifications, services or fees, in light of the circumstances under which they are made, not misleading;

The Department makes no findings in this regard. It is Respondent's contention that she, at all times, advised the Complainants that there was no advisory fee charged for the annuity, so adding the annuity value would have had no impact on the actual fees charged.

Based on the foregoing, the Division finds that this Agreement is in the public interest, appropriate for the protection of investors and consistent with the purposes intended by the policy and provisions of RIUSA.

Accordingly, it is hereby further agreed that:

1. Upon execution of this Agreement, Respondent shall pay an administrative penalty of Five Thousand Dollars ($5,000.00) to the Division;
2. Respondent agrees to offer to make whole the Complainants regarding the advisory fees charged in excess of 0.75% for the tenure of the relationship as follows:
    (a) NM the sum of Five Thousand Two Hundred and Fifty-Seven Dollars ("$5, 257.00"); and,
    (b) KD the sum of One Thousand One Hundred and Ninety-Seven and 51/100 Dollars ("$1,197.51");
3. Respondent agrees to provide evidence to the Division that the restitution has been paid to the Complainants;
4. Respondent hereby waives all rights to a hearing, further administrative proceedings and/or judicial review.
5. If Respondent fails to abide by the terms of this Agreement, the Department may initiate administrative proceedings to impose whatever penalties are deemed appropriate by the Department. However, absent breach by Respondent, the Division shall not take any further action against the foregoing parties for any of the specific alleged acts or omissions that gave rise to this matter.

Dated as of the 5th 5th day of ~~June~~ July, 2018.

Maria L. D'Alessandro

Maria L. D'Alessandro, Esq.
Deputy Director Securities,
Commercial Licensing and Racing & Athletics

Karen M. Emma, Respondent