

BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE
OF THE STATE OF IDAHO

In the Matter of:

STATE OF IDAHO,
Department of Finance,
Securities Bureau,

Complainant,

vs.

UCI Wealth Advisors, LLC and

Travis L. Higgins

Respondents.

Docket No.: 2015-7-03

AGREEMENT AND ORDER

0
1 The Director of the Department of Finance, State of Idaho (Department), has conducted
2 an investigation into the conduct of UCI WEALTH ADVISORS, LLC AND TRAVIS L.
3 HIGGINS (collectively, "Respondents"). Pursuant to the investigation, it appears to the
4 Director that violations of Idaho's Uniform Securities Act (2004), Idaho Code Sections 30-14-
5 101, *et. seq.* (the "IUSA"), have occurred. The Director and Respondents have agreed to resolve
6 this matter without a public hearing or other adjudication. Therefore, the Director deems it
7 appropriate and in the public interest to enter into this Agreement and Order ("Order").
Respondents voluntarily consent to the entry of this Order.

PARTIES

1. Respondent UCI Wealth Advisors, LLC ("UCI"), is a limited liability company
with its principal place of business located at 1880 S. Cobalt Point Way, Suite 350, Meridian, ID.
UCI was formed August 16, 2010 and has been a registered investment adviser with the
Department from September 27, 2010 to date.

2. Respondent Travis L. Higgins (“Higgins”) is the Chief Executive Officer and Manager of UCI. Higgins directly or indirectly owns more than 75% of UCI. Higgins has been registered as a UCI investment adviser representative with the Department from October 24, 2011 to present.

3. Other related parties, though not Respondents:

a. Cache Private Capital Diversified Fund, LLC (“CPC”) is a Nevada limited liability company organized in June 2009 to primarily engage in providing real property-based investments, including loans.

b. Cache Private Capital Management, LLC (“Cache Management”) is a Nevada limited liability company and is the manager of CPC.

c. 7 Mile Holdings, LLC (“7 Mile”) is an Idaho limited liability company organized on or about December 3, 2012 by the brother of Travis Higgins.

BACKGROUND

4. In early 2011, Higgins met the founder of CPC who was also the CEO of Cache Management. After his discussions with the CEO, Higgins began recommending investments in CPC to UCI’s advisory clients.

5. According to CPC’s private placement memorandum, investments in CPC are highly speculative and involve a high degree of risk. These investments are to be sold only to “accredited investors” as that term is defined in Regulation D, Rule 501. Risks associated with CPC’s investments include, without limitation, the possible loss by the investor of his entire investment and are only suitable for investors who have no need for liquidity in the investment.

6. Higgins became more than just a seller of CPC investments, from May 2013 until September 22, 2015, Higgins worked for CPC as its Vice President of Business Development earning a salary of approximately \$4,000/month. Higgins was also a principal in three affiliates of CPC with profit-sharing arrangements. Between August 2013 and December 2014, Higgins

and his affiliated company received \$26,858.74 in profit sharing from Cache Management and affiliates of CPC.

Unlawful Compensation and Undisclosed Conflicts and Misrepresentations/Omissions

7. Beginning in April 2011 and continuing through January 2012, CPC directly paid UCI \$4,700 ostensibly to reimburse UCI for expenses Higgins incurred traveling and selling the CPC product. Mr. Higgins was not registered as an agent of CPC at the time of this compensation.

8. Higgins also received \$19,000 in informal "loans" from two CPC officers. The funds contributed by the CPC officers were used in Higgins' businesses and for personal use. One CPC officer's loan was repaid, but the other CPC officer accepted an \$8,000 payment which was viewed by the parties as repayment in full of the undocumented loan. In accepting an \$8,000 repayment to satisfy Higgins' loan, the CPC officer essentially forgave/gifted Higgins \$5,000.

9. Beginning February 7, 2011 and continuing until April 29, 2013, Higgins, his brother, and his father ("Higgins family"), borrowed \$395,000 at 18% through two loans with CPC. Approximately \$219,902 of the CPC loan funds were used by Higgins to repay promissory notes and reacquire member interests in Unex Capital Inc., a company principally owned by Higgins.

10. Neither CPC nor UCI/Higgins told prospective CPC investors about their compensation, loan arrangements, informal loans and gift/forgiveness from CPC officers, and the conflict of interest this created while Higgins continued to recommend CPC's securities.

11. In addition, several versions of UCI's Form ADV Part 2A, which provides disclosure to UCI clients and prospective clients, contained misrepresentations and omissions in connection with UCI and Higgins' relationship with CPC as detailed below:

i. Misrepresentations

1. "UCI only received compensation directly from its clients."
2. "UCI and its management persons do not have any relationship or arrangement with any issuer of securities."
3. "Mr. Higgins does not receive commissions, bonuses or other compensation based on the sale of securities or other investment products."

ii. Omissions

1. Information concerning the \$320,000 loan from CPC to the Higgins family in February 2011.
2. Payments received from CPC beginning in April 2011.
3. Informal loans/gift to Higgins from CPC's officers beginning in the 4th quarter of 2011.
4. A \$75,000 loan from CPC to Higgins family in February 2012.

Loans from Customers

12. Borrowing money from customers is generally a prohibited practice under the IUSA and was also prohibited by UCI's Code of Ethics. Nevertheless, in order to repay the two CPC loans referenced in paragraph 9 above, Higgins offered two UCI customers promissory note investment opportunities at nine percent (9%) and six percent (6%), respectively, which were related to a newly formed limited liability company (7 Mile), organized by Higgins' brother. Although couched as a loan to a separate entity, 7 Mile used the majority of the customers' funds to repay the personal debt that the Higgins family, including Higgins, owed to CPC. This use was not disclosed to at least one of the customers before the funds were accepted.

Custody of Client Funds

13. UCI's Form ADV Part 2A dated January 9, 2012 and June 2013 stated, "UCI does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance." Contrary to the above statement, on March 29, 2013, UCI executed an investment advisory contract with a UCI client which included a \$50,000 retainer fee. Pursuant to Item 18 of the Form ADV Part 2A instructions, an investment adviser must include an audited balance sheet for its most recent fiscal year if it requires or solicits prepayment of more than \$1,200 in fees per client, six months or more in advance. As of December 31, 2013, the client retainer fee balance was \$41,215.06. UCI did not have its balance sheet audited by an independent public accountant for its most recent fiscal year as is required under federal and state laws.

FINDINGS OF VIOLATIONS

The Department finds the following violations:

Unlawful Compensation and Unregistered "Agent" Activities

14. Pursuant to Idaho Code §30-14-402(a), it is unlawful for an individual to transact business in Idaho as an agent unless the individual is registered as an agent or is exempt from registration.

15. UCI's receipt of \$4,700 in compensation from CPC, that was connected with Higgins attempt to effect purchases of CPC's securities, constitutes a violation of Idaho Code §30-14-402(a) because Higgins operated as an agent without the benefit of registration.

Undisclosed Conflicts and Misrepresentations/Omissions

16. Idaho Code § 30-14-502 provides that it is unlawful for a person that advises others for compensation, either directly or indirectly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing or selling securities or that, for compensation and as part of a regular business, issues or promulgates analyses or reports relating to securities (1) to employ a device, scheme, or artifice to defraud another person; (2) to engage

in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person; or (3) to divert investment money to the personal use of the issuer, offeror or seller, or to pay prior investors without specifically disclosing that use before receiving the investor's money.

17. IDAPA 12.01.08.104.35 prohibits misrepresentations or omissions of material facts to any advisory clients, or prospective advisory clients concerning, among other things, the nature of the advisory services being offered or fees charged for such service.

18. IDAPA 12.01.08.104.37 prohibits an investment adviser/investment adviser representative from failing to disclose to clients in writing before any advice is rendered any material conflict of interest relating to the adviser or any of its employees which could reasonably be expected to impair the rendering of unbiased and objective advice including compensation arrangements connected with advisory services to clients which are in addition to compensation from such clients for such services.

19. Beginning in February of 2011, UCI and Higgins made material misrepresentations and omissions regarding their relationship with CPC, including but not limited to, failing to disclose \$4,700 in compensation received from CPC, informal loans and gift/forgiveness from CPC officers as well as loans obtained by Higgins from CPC, and therefore violated Idaho Code §30-14-502, IDAPA 12.0108.104.35, and IDAPA 12.01.08.104.37.

Loans from Customers

20. IDAPA 12.01.08.104.21 prohibits an investment adviser or investment adviser representative from borrowing money or securities from a customer unless the customer is a broker-dealer, an affiliate, or a financial institution engaged in the business of loaning funds or securities, or immediate family.

21. IDAPA 12.01.08.104.47 prohibits an investment adviser or investment adviser representative from engaging in conduct or any act, indirectly or through or by any other person,

which would be unlawful for such person to do directly under the provisions of the Act or any rules thereunder, or engaging in other conduct such as non-disclosure, incomplete disclosure, or deceptive practices shall be deemed an unethical business practice.

22. As detailed above in paragraph 12 above, the Higgins family borrowed money from UCI clients through 7 Mile. These funds were used to repay personal indebtedness owed to CPC without specifically disclosing that use before taking the client's funds. This action constitutes a violation of Idaho Code §30-14-502(a)(2),(3) and Rule 104.21 and Rule 104.47.

Custody of Client Funds

23. Pursuant to IDAPA 12.01.08.096, if an investment adviser registered or required to be registered under the Act maintains custody of clients funds, it shall be done in accordance with 17 CFR 275-206(4)-2 of the Investment Advisers Act of 1940.

24. UCI had custody of client funds without complying with the custody safekeeping requirements set forth in 17 CFR 275.206(4)-2 when it accepted the \$50,000 prepayment of client fees, six months or more in advance, which constitutes a violation of IDAPA 12.01.08.096.

Failure to Amend Form ADV

25. Idaho Code § 30-14-406(a) sets forth the registration requirements for an investment adviser. As part of the registration application filed with the Department, Respondent UCI has an affirmative duty as set forth in Idaho Code § 30-14-406(2)(b) to promptly file a correcting amendment if information or record contained in an application filed under subsection (a) of this section is or becomes inaccurate or incomplete in a material respect.

26. IDAPA 12.01.08.089.01 sets forth the components of an investment adviser's registration application which includes the Form ADV. In addition, IDAPA 12.01.08.089.05 requires an investment adviser to file with the IARD, in accordance with the instructions in Form ADV, any amendments to the investment adviser's Form ADV.

27. UCI's Form ADV was not amended, as required by IDAPA 12.01.08.089.05, to disclose UCI's compensation arrangements with CPC and contained misrepresentations and omissions as set forth in paragraph 11 above. In addition, between March 3, 2014 and September 5, 2014, UCI's Form ADV Part 2A filing failed to disclose the affiliation and compensation arrangement as detailed in paragraph 6 above. UCI's failure to amend its Form ADV Part 2A filings constitutes a violation of IDAPA 12.01.08.089.05.

AGREEMENT, ACKNOWLEDGEMENT & REMEDIES

28. Respondents neither admit nor deny the findings of violations of Idaho law contained in this Order.

29. Respondents consent to the entry of this Order.

0 30. Respondents attest and avow that all information provided to the Department directly or through their legal representatives is true, accurate, and complete.

1 31. Respondents agree that this Order does not limit any investor's private right of action or the ability to file a complaint with the Department.

2 32. Respondents agree that any complaint received may be investigated by the Department and further action, including but not limited to, legal or administrative proceedings
3 may be taken.

4 33. Respondents agree that the investment adviser application of Respondent UCI shall be withdrawn upon execution of this Order and that Respondents shall not file a future investment adviser application pursuant to Idaho Code §30-14-406 with the Department.

5 34. Respondents agree that the 9% promissory note referenced in paragraph 12 above shall be repaid in full no later than September 15, 2016. Respondents agree that the 6%
6 promissory note referenced in paragraph 12 above shall be repaid in full no later than September
7 15, 2017. Respondent Higgins agrees to provide written notification to the Department within five (5) business days of the repayment dates referenced in this paragraph which will declare the

full repayment and/or non-full repayment of the promissory notes referenced in paragraph 12. If the promissory notes are not repaid, in full (including interest), by the dates specified in this paragraph, Respondent Higgins agrees that the Department may immediately revoke any investment adviser representative or agent applications associated with Respondent Higgins and Respondent Higgins agrees that he will not file any application for such with the Department for at least five (5) years from the date of revocation. In that event, Respondent Higgins waives any objection to the Order and his rights to a hearing.

35. Respondent Higgins shall be subject to a heightened supervision plan administered by a registered investment adviser and/or broker-dealer firm that has been submitted and approved by the Department.

0 36. Respondent Higgins agrees to cooperate with the Department in any investigation, administrative or legal proceeding undertaken by the Department involving CPC, its affiliates, and/or principals of CPC and its affiliates.

1 37. Respondents agree to pay the amount of \$19,700 in fines and penalties for the
2 findings of violations set forth in this Order. Payment shall be made payable to the order of
3 "Idaho Department of Finance." At minimum, Respondents agree to pay \$3,940 annually until
4 the total \$19,700 in fines and penalties is paid. If Respondent Higgins fails to make any
5 payment on time, the Department shall provide him with notice of breach via US Mail,
6 whereupon Respondent Higgins shall have ten (10) days from the date of the Department mailing
7 notice within which to affect a complete cure. In the event a complete cure is not affected and
following the expiration of said curative window, the Department may impose the remedies set
forth in paragraph 34 above. In that event, Respondent Higgins hereby waives any objection to
the Order and his rights to a hearing. Time is of the essence for such payments, and the parties
agree that failure to make a payment on time is a material breach of this Order and the

agreements embodied herein. Respondent Higgins is not entitled to any notice of breach by the Department other than that specified in this paragraph.

38. Respondents agree to comply with all provisions of the IUSA and the rules promulgated thereunder in the future.

39. Respondents agree that failure to comply with this Order may result in the Director bringing further legal proceedings or administrative action.

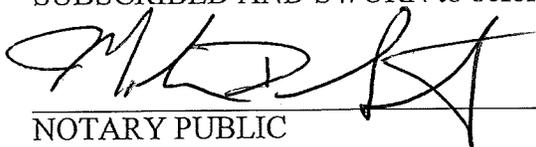
40. Respondents waive notice and opportunity for a hearing under Idaho Code § 30-14-604(b) and (c), and under the contested case provisions of the Idaho Administrative Procedures Act, I.C. §67-5240 *et. seq.* The terms contained in this Order constitute the entire agreement between the Department and Respondents.



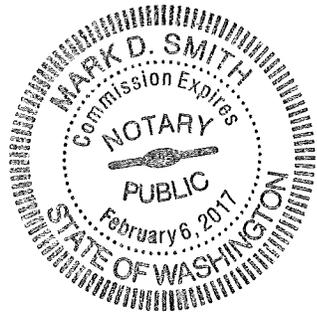
TRAVIS L. HIGGINS

State of Washington
County of Spokane

SUBSCRIBED AND SWORN to before me this 8th day of September, 2016



NOTARY PUBLIC
My Commissions Exp: February 6, 2017



0
1
2
3
4
5
6
7

UCI WEALTH ADVISORS, LLC

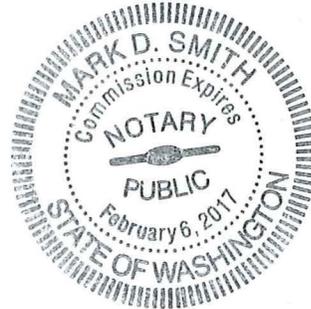
[Handwritten Signature]

By: TRAVIS L. HIGGINS
Title: Managing Member

State of Washington
County of Snohomish

SUBSCRIBED AND SWORN to before me this 8th day of September, 2016

[Handwritten Signature]
NOTARY PUBLIC
My Commissions Exp: February 6, 2017



State of _____
County of _____

[Handwritten Signature]
JAMES A. BURNS
Bureau Chief, Securities Bureau
Department of Finance
State of Idaho

IT IS SO ORDERED

DATED this 13th Day of September, 2016.

STATE OF IDAHO
DEPARTMENT OF FINANCE

[Handwritten Signature]
GAVIN M. GEE, Director
Idaho Department of Finance