

COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
AGENCY CASE NO. 2009-AH- 025

DEPARTMENT OF FINANCIAL INSTITUTIONS

PETITIONER

V.

QUESTAR CAPITAL CORPORATION

RESPONDENT

Serve: Ruth Howell
Chief Compliance Officer
Questar Capital Corporation
5701 Golden Hills Drive
Minneapolis, MN 55416

SETTLEMENT AGREEMENT AND ORDER

BACKGROUND AND FACTUAL FINDINGS

1. The Department of Financial Institutions (“DFI”) is the agency of Kentucky state government charged with enforcement of the provisions of KRS Chapter 292 (the Kentucky Securities Act) and the rules and regulations enacted thereunder.

2. Questar Capital Corporation (“Questar”) is a registered Broker/Dealer, which is also registered as such in Kentucky with the OFI. Questar maintains its principal offices at 5701 Golden Hills Drive, Minneapolis, Minnesota 55416. Questar is doing business in the Commonwealth of Kentucky through its agents and representatives.

3. On November 17, 2005, Allianz Life Insurance Company of North America (“Allianz Life”), Allianz Capital, Inc. (“Merger Sub”) and Yorktown Financial Companies, Inc., owner of all the issued and outstanding capital stock of Questar (“Yorktown”), entered into an Agreement and Plan of Merger, whereby Merger Sub merged with and into

Yorktown. Contemporaneously with the merger of Merger Sub with and into Yorktown, Yorktown became a wholly owned subsidiary of Allianz Life. Yorktown still owns the issued and outstanding capital stock of Questar.

4. Legacy Questar's Home Office was in Ann Arbor, Michigan. Its principal owners were Robert Boone, John Gakenheimer, Jason Kavanaugh, and Scott Chimner.

5. Since September 30, 2005, Questar has moved its Home Office from Ann Arbor Michigan to Minneapolis, Minnesota. Questar has also changed its management and compliance operations from those which existed under Legacy Questar and maintains that it has improved and enhanced its compliance and supervisory processes.

6. On October 1, 2008 through October 3, 2008, pursuant to the authority granted by KRS 292.330(12), the DFI, Division of Securities, conducted a routine examination of a branch office of Questar, located at 7000 Houston Road, Building 100, Suite 13, Florence, Kentucky 44042.

7. During the course of that examination, the DFI discovered that registered representative, Barry Milson ("Milson"), was holding himself out as an investment adviser representative for approximately two years and nine months without having been so registered.

8. Milson was formerly registered as an investment adviser representative of Milson/Walker Financial Group from September 8, 1992 to February 10, 2004. Milson was a registered representative of Legacy Questar from May 26, 1999 through September 30, 2005, and a registered representative of Questar from October 1, 2005 until the present date.

9. In February, 2004, Milson also became an investment adviser representative for Questar Asset Management, Inc. ("QAM") and was so registered with the Division of

Securities from February 20, 2004 through December 31, 2005, when his registration expired and was not renewed by QAM. However, since that time Milson continued to hold himself out as an investment adviser representative as reported on his outside business activities disclosure on the CRD and on his business cards.

10. On October 7, 2008, following the Division of Securities' examination of Questar's Florence, Kentucky office, Milson again became registered with the Division of Securities as an investment adviser representative of QAM.

11. It is the responsibility of the Registered Representative to obtain all necessary and appropriate licensing for his or her investment business.

12. KRS 292.330(1)(a) provides that it is unlawful for any person to transact business in the Commonwealth of Kentucky as an investment adviser representative unless that person is so registered under this statutory chapter.

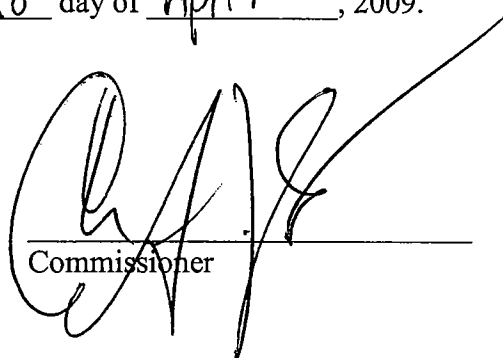
13. Questar has denied that it is in violation of any applicable state or federal law as a result of the above referenced examination by the OFI and expressly denies any liability, fault or wrongdoing resulting therefrom. Without admitting liability, but to resolve this matter without further litigation or adversary proceedings, Questar has agreed to compromise and settle all claims arising from the above referenced examination by the OFI in accordance with the terms set forth herein.

AGREEMENT AND ORDER

The Department of Financial Institutions and Questar Capital Corporation, in the interest of economically and efficiently resolving the issues raised in the foregoing Background and Factual Findings, agree as follows:

1. Questar Capital Corporation agrees to pay a fine in the amount of Six Thousand, Two Hundred Fifty Dollars and no Cents (\$6,250.00) for failure to adequately supervise the activities of its registered representative and for permitting him to hold himself out as a registered investment adviser representative from December 31, 2005 to October 7, 2008, which fine shall be made payable to the "Kentucky State Treasurer" and mailed to the Department of Financial Institutions, Attn: William B. Owsley, 1025 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601, on or before the date of execution of this Settlement Agreement and Order.
2. In regard to this matter, Questar Capital Corporation waives its right to demand a hearing, at which Questar Capital Corporation would be entitled to legal representation, to confront and cross examine witnesses for the Department of Financial Institutions, and to present evidence on its own behalf. Further, Questar Capital Corporation consents to and acknowledges the jurisdiction of the Department of Financial Institutions over this matter and that this Agreement is a matter of public record and may be disseminated as such.
3. This Order shall not be deemed to contain any admissions against the interests of Questar.
4. This Settlement Agreement shall constitute the Final Order in this matter.

IT IS SO ORDERED on this the 28th day of April, 2009.



Commissioner

Consented To:

This 28 day of April, 2009



STATE OF KENTUCKY

DEPARTMENT OF REVENUE

Division of Securities

Kentucky Office of Financial Institutions

AND

This 22 day of April, 2009

QUESTAR CAPITAL CORPORATION

BY: Ruth Howell

ITS: Chief Compliance Officer