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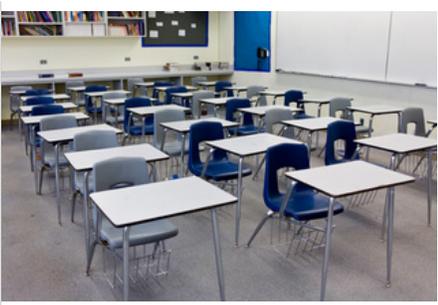
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UBS to \$677K to Indiana over investment problems

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By KEN KUSMER, Associated Press

INDIANAPOLIS (AP) - UBS Financial Services agreed to pay Indiana regulators \$677,000 on Thursday to settle a claim that it sold "unsuitable investments" to a now defunct teachers union health care trust.

The claim stems from the \$16.2 million that the Indiana State Teachers Association Insurance Trust invested in 13 private equity funds from 2004 to 2009. A consent settlement signed by UBS and the Indiana Securities Division shows that the company agreed to pay a \$450,000 fine and \$227,000 in costs.

Details of the settlement, including the investments involved, weren't released. It follows a separate settlement between the Indiana State Teachers Association and UBS in which the company agreed to buy some of the funds from the union, according to the consent agreement.

The 50,000-member ISTA was taken over by the National Education Association in May 2009, after the state Department of Insurance said its insurance trust had a net worth of negative \$67 million. ISTA sued former officials and financial advisers three months later, saying they mismanaged the trust.

Other claims by and against ISTA are still pending.

"We're glad to see a resolution to this part of an ongoing investigation into other violations related to the troubles surrounding ISTA," Indiana Secretary of State Charlie White, whose office includes the Securities Division, said in a written statement Thursday.

UBS did not admit or deny any liability with the settlement.

"UBS fully cooperated with the Securities Division throughout its investigation, and the firm is pleased that this matter has been resolved," company spokeswoman Karina Byrne said in a statement issued by its New York City headquarters.

ISTA spokesman Mark Shoup said the union had no comment on the settlement.

The Indiana Securities Division is suing ISTA and the National Education Association in federal court over money owed to more than 20 Indiana school districts by the trust. The state agency alleges that ISTA told school districts they would earn returns on any reserves left in the insurance trust, but that money was mixed with other funds, and that the teachers' association cannot properly account for \$23 million intended for schools.

ISTA has since sold its downtown Indianapolis building to the NEA and laid off at least 40 employees. Teachers already had sued for damages from ISTA and many of the

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same defendants.

In October, state securities officials filed an administrative complaint against a financial adviser who advised ISTA while working for UBS and Morgan Stanley. The agency said the agent advised officials beginning in 2004 to put trust money into alternative investments such as hedge funds and private equity funds that had long-term risks but offered large upfront commissions.

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The complaint claims he also didn't tell ISTA about the risks or how much compensation he and his firm would receive.

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