

**OFFICE OF THE MISSISSIPPI SECRETARY OF STATE
SECURITIES AND CHARITIES DIVISION
AND
THE ALABAMA SECURITIES COMMISSION**

IN THE MATTER OF:

**AMERICAN GENERAL SECURITIES
INCORPORATED**

Respondent

**Mississippi Number: S-05-0354
Alabama Number: CO-2010-0015**

CONSENT ORDER

I.

JURISDICTION AND CONSENT

WHEREAS, AMERICAN GENERAL SECURITIES INCORPORATED ("AGSI"), CRD No. 13626, formerly was a broker-dealer and investment adviser registered in the States of Alabama and Mississippi; and

WHEREAS, Leroy Jack Smith, CRD No. 428266, was a registered representative of AGSI in a non-registered branch office in Mobile, Alabama from March 1986 to August 2004; and

WHEREAS, the Alabama Securities Commission ("ASC") and the Securities and Charities Division of the Mississippi Secretary of State ("MSOS") conducted an examination of the Mobile, Alabama office on October 12, 2005; and

WHEREAS, the ASC and the MSOS has conducted an investigation of AGSI and Smith; and

WHEREAS, AGSI, under the conditions herein or conclusions contained herein, elects permanently to waive any right to a hearing and appeal under Miss. Code Ann. §§75-71-331 and 75-

71-601 (2000), or under Alabama Code §8-6-32 (1975), with respect to this Consent Order (the "Order"); and

WHEREAS, AGSI admits the jurisdiction of the ASC and MSOS, neither admits nor denies the findings of fact and conclusions of law contained in this Order, and consents and agrees to the entry of this Order by the ASC and MSOS. Neither this Order, nor any acts performed and documents executed in furtherance of this Order: (a) may be deemed or used as an admission of, or evidence of, the validity of any alleged wrongdoing or liability including, but not limited to, the assertions contained in the findings of fact or conclusions of law herein; or (b) may be deemed or used as an admission of, or evidence of, any such alleged fault or omission of AGSI or Smith, or any of them, in any civil, criminal or administrative proceeding in any court, administrative agency, or other tribunal; nor shall this Order confer any rights upon any person or entities who were not a party to this proceeding.

NOW, THEREFORE, the MSOS, as Administrator of the Mississippi Securities Act and the ASC, as Administrator of the Alabama Securities Act (Collectively, the foregoing acts are referred to as the "State Securities Acts") hereby enter the following Order.

II.

FINDINGS OF FACT

A. REGISTERED INDIVIDUALS AND ENTITIES

1. During the relevant period referenced herein, AGSI was registered with the ASC and MSOS as a broker-dealer and investment adviser firm.
2. Smith was a registered representative of AGSI from March 1986, through August 2004.

3. Smith was an AGSI registered representative in an office located at 273 Azalea Road, Suite 300, Mobile, Alabama.
4. On October 12, 2005, examiners from the ASC and MSOS conducted an on-site examination of the AGSI/Smith office.
5. Based on the examination, the ASC and MSOS conducted an investigation of AGSI and Smith.

B. VIOLATIONS

As a result of the foregoing investigation of the AGSI and Smith, the ASC and MSOS alleges the following violations of the State Securities Acts, occurring predominantly in the time frame from 1997 to 2002:

1. Directly or indirectly, AGSI, through its agent Smith, omitted material facts in connection with the sale of securities to induce prospective customers to liquidate securities in order to purchase variable annuity products that the ASC and MSOS contend were unsuitable for the customers' financial objectives;
2. AGSI, through its agent Smith, sold securities that the ASC and MSOS find to be unsuitable for AGSI's customers because:
 - a. Smith undertook calculation of IRC 72(t) withdrawal rates for AGSI's customers, arriving at or agreeing to the appropriateness of a figure likely to induce the prospect to purchase variable annuity products,
 - b. The products sold by Smith were not guaranteed to support the levels of withdrawal to which the purchaser, based upon Smith's advice, had committed;

3. AGSI failed to detect the high 72(t) withdrawal rates and other indicia of lack of suitability through its supervisory procedures;
4. AGSI failed to enforce its supervisory procedures by failing to detect Smith's aforementioned business practices;
5. As a mitigating circumstance, AGSI has adopted new supervisory procedures as a result of the asset purchase of AGSI by AIG Financial Advisors, Inc., now known as SagePoint Financial, Inc. ("SagePoint"), instituting a field OSJ supervisory system which it contends is designed to remedy deficiencies in its prior system.

III.

CONCLUSIONS OF LAW

- A. The MSOS has jurisdiction over this matter pursuant to Miss. Code Ann. §75-71-107 (2000).
- B. The ASC has jurisdiction over this matter pursuant to Ala. Code §8-6-16.
- C. AGSI, through its agent Smith, omitted material facts in connection with the sale of securities in violation of Miss. Code Ann. §75-71-501 and Ala. Code §8-6-17.
- D. AGSI, through its agent Smith, improperly induced the sale of securities in violation of Mississippi Securities Act Rule 523 and Ala. Code §8-6-17.
- E. AGSI failed to reasonably supervise Smith as required by Miss. Code Ann. §75-71-321(b)(2000) and Ala. Adm. Code §830-x-3-13.
- F. AGSI failed to establish and/or enforce supervisory procedures sufficient to detect and prevent violations of the Act and rules thereunder as required by Mississippi Securities Act Rule 521 and Ala. Adm. Code §830-x-3-13.

IV.

ORDER

On the basis of the findings of fact and conclusions of law, as well as AGSI's consent to entry of this Order for the sole purpose of settling this matter, prior to a hearing and without admitting or denying any of the findings of fact or conclusions of law,

IT IS HEREBY ORDERED:

1. AGSI is hereby ordered to pay an administrative assessment to the ASC in the amount of Ten Thousand Dollars (\$10,000.00), with an additional payment of Thirty Thousand Dollars (\$30,000.00) in administrative costs, within twenty (20) days of its execution of this Order by AGSI.
2. AGSI is hereby ordered to pay to the ASC the amount of Forty-five Thousand Dollars (\$45,000.00) as funding for investor education within twenty (20) days of its execution of this order.
3. AGSI is hereby ordered to pay an administrative assessment to the MSOS in the amount of Ten Thousand Dollars (\$10,000.00), with an additional payment of Thirty Thousand Dollars (\$30,000.00) in administrative costs, within twenty (20) days of its execution of this Order by AGSI.
4. AGSI is hereby ordered to pay to the MSOS the amount of Ninety Thousand Dollars (\$90,000.00) as funding for investor protection within twenty (20) days of its execution of this order.
5. AGSI is ordered to establish a partial reimbursement fund for the benefit of Alabama customers (a) who purchased variable annuities solicited by Smith on or after January 1, 2000 until his retirement from AGSI, and (b) who have neither litigated nor

arbitrated their claims to an award or other disposition, nor previously executed a release of claims by virtue of a settlement with AGSI and/or Smith. These customers and the corresponding partial reimbursement amounts are identified in Exhibit A. The partial reimbursements will be administered by the ASC for Alabama customers as listed in Exhibit A. Each customer receiving partial reimbursement shall execute a release in the form attached as Exhibit B. To the extent that said customers refuse to sign releases, funds will not be disbursed, and any such remaining funds shall be returned to AGSI at the conclusion of 180 days from the date of this Order.

6. AGSI is ordered to offer to pay a partial reimbursement to each Mississippi customer (a) who purchased variable annuities solicited by Smith on or after January 1, 2000 until his retirement from AGSI, and (b) who have neither litigated nor arbitrated their claims to an award or other disposition, nor previously executed a release of claims by virtue of a settlement with AGSI and/or Smith. These customers and the corresponding partial reimbursement amounts are identified in Exhibit A. Each customer receiving an offer of partial reimbursement shall execute a release in the form attached as Exhibit B. To the extent that said customers refuse to sign releases within 180 days of receipt of the offer of partial reimbursement, funds will not be disbursed.
7. AGSI will furnish the MSOS a report listing all settlements offered to Mississippi annuity purchasers pursuant to this Consent Order, including evidence of which settlement offers are accepted and which offers are rejected. For the settlements which are accepted, AGSI will furnish the ASC and the MSOS with copies of the Releases and evidence that those settlements have been paid. This report will be

provided within 90 days of the last Mississippi customer either (a) being paid or (b) refusing to execute a release.

8. AGSI will CEASE AND DESIST from violating the Alabama Securities Act and Mississippi Securities Act and the rules thereunder and SagePoint, as AGSI's successor in interest, will comply with those statutes and regulations in connection with the supervision of its broker-dealer agents and/or investment-adviser representatives.
9. This Order is not, in and of itself, a bar to any actions at law or in equity by Smith customers against AGSI. The releases contemplated in paragraph 6 above, however, shall be given full contractual effect.

V.

OTHER MATTERS

IT IS FURTHER ORDERED that this Order represents the complete and final resolution of and discharge of all administrative and civil, claims, demands, actions and causes of action by the ASC and the MSOS against AGSI and Smith for the alleged violations of the State Securities Acts which relate specifically to all actions and/or omissions by AGSI and Smith which are so described in the Findings section of this Order. In the event AGSI fails to comply with the provisions of the Order, the ASC or MSOS shall notify AGSI's attorneys in writing of such failure. AGSI shall then have ten (10) business days after the receipt of such notice to cure any such failure to comply with the provisions of the Order. AGSI further acknowledges that should it fail to comply with the provisions of this Order, the ASC or MSOS may enforce this Order pursuant to their respective statutes. In addition, the ASC or MSOS may impose additional sanctions and costs and seek other appropriate relief for violation of this Order, subject to AGSI's right to a hearing, regarding any

alleged violation of the Order or a failure to comply with the Order.

ISSUED, this the 8th day of March, 2010.

C. DELBERT HOSEMAN, JR.
Secretary of State, State of Mississippi

BY: Patricia Melvin
PATRICIA MELVIN
Chief Counsel
Securities and Charities Division

ALABAMA SECURITIES COMMISSION

BY: J. Randall McNeill
J. RANDALL McNEILL
Deputy Director



**CONSENT OF AMERICAN GENERAL SECURITIES INCORPORATED TO ENTRY
OF ORDER**

American General Securities Incorporated, through its successor in interest, SagePoint Financial, Inc., hereby acknowledges that it has been served with a copy of this Administrative Order, has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

American General Securities Incorporated admits the jurisdiction of the Secretary of State of the State of Mississippi and the Alabama Securities Commission and, without admitting or denying any liability or any findings or conclusions contained in the foregoing Order, consents to entry of the Order by the Secretary of State of the State of Mississippi and the Alabama Securities Commission as settlement of all matters relating to the examinations referred to in the Order.

American General Securities Incorporated states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

The undersigned represents that he has been authorized by American General Securities Incorporated to execute this Order for and on behalf of American General Securities Incorporated.

Dated this 21st day of January, 2010.

SAGEPOINT FINANCIAL, INC., on behalf of American
General Securities Incorporated

By: Naomi Sorokin

Its: Director / GC

SUBSCRIBED AND SWORN TO before me this 21st day of January, 2010.

Sonia T. James

Notary Public **SONIA T. JAMES**
NOTARY PUBLIC STATE OF NEW YORK
NO. 01JA6164481
QUALIFIED IN BOROUGH COUNTY
COMMISSION EXPIRES APRIL 29, 2011

My Commission expires: