

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)
)
METLIFE SECURITIES INC.)
PRUCO SECURITIES, LLC)
TERRY JOE BAGWELL)
)
RESPONDENTS)
)
ADMINISTRATIVE ORDER
NO. SC-2015-00 23

SHOW CAUSE ORDER

The Alabama Securities Commission ("Commission"), having the authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, has determined as follows:

RESPONDENTS

1. **METLIFE SECURITIES INC. ("METLIFE")** CRD # 14251, has been a registered broker/dealer in the state of Alabama since February 8, 1984, with a business address of 1095 Avenue of the Americas, New York, NY 10036.

2. **PRUCO SECURITIES, LLC ("PRUCO")** CRD # 5685, has been a registered broker/dealer in the state of Alabama since October 6, 1982, with a business address of 751 Broad Street, Newark, NJ 07102-3777.

3. **TERRY JOE BAGWELL ("BAGWELL")** CRD # 2298887, during the time period relevant to this Order, was the Managing Principal for **METLIFE**, with a business address of 3800 Colonnade Parkway, Suite 600, Birmingham, AL 35243. Records reflect that from October 10, 2011 to June 3, 2014, **BAGWELL** was a registered investment adviser representative in the state of Alabama and the managing principal for **PRUCO**, having a business address of 1800 International Park, Suite 200, Birmingham, AL 35243.

STATEMENT OF FACTS

4. On January 7, 2014, the Commission was contacted by the Hoover, Alabama Police Department concerning a possible fraud involving a securities transaction. According to the complaint filed with the police department, a **METLIFE** representative had offered and sold the complainant **METLIFE** variable life insurance products which, according to the Complainant, were not suitable and which had been described in a misleading manner.

5. During the course of the investigation into this matter, the Commission discovered a number of other Alabama residents who had purchased the variable life insurance products through the same **METLIFE** representative. Interviews with these investors revealed that they had purchased the products from the representative while he was employed with **METLIFE**. Upon transferring employment to **PRUCO**, the representative advised these same clients to purchase a similar **PRUCO** variable product.

6. An online review of the CRD database for the **METLIFE** and **PRUCO** representative, disclosed twelve (12) complaints from clients of both **METLIFE** and **PRUCO**, which allege “Misrepresentations by the Representative” at the time of sale, regarding similar variable policies sold as far back as 2002.

7. During the Commission’s investigation, information was received which revealed, while the representative was still employed at **PRUCO**, the representative offered clients an opportunity to invest in a “hedge fund” in which the representative was involved. In addition, the representative advised clients that the “hedge fund” would earn better returns than **PRUCO** could offer and provide the representative more flexibility in investing their funds. The Commission’s investigation in this matter revealed the referenced “hedge fund” investment was operated as Ponzi scheme.

8. While registered and employed with **METLIFE**, and subsequently with **PRUCO**, **BAGWELL** was the Managing Principal for the representative. During this time, **BAGWELL** became aware of the representative's outside business activity which was not approved by **PRUCO**. On April 20, 2012, **BAGWELL** issued a personal check in the amount of \$25,000.00 to the representative for an investment in the representative's "hedge fund." On August 22, 2012, **BAGWELL** wired an additional \$10,000.00 into the TD Ameritrade account of representative's spouse as an additional investment into the representative's "hedge fund." **BAGWELL** failed to notify **PRUCO** about the representative's undisclosed outside business activities.

9. On December 7, 2012, the representative returned \$25,000.00 to **BAGWELL** as a purported return on his investment. On March 29, 2013, the representative sent another \$22,600.00 to **BAGWELL** purported to represent a return on **BAGWELL'S** investment. **BAGWELL** received a 26% return or \$12,600.00 on his investment. **BAGWELL** did not notify **PRUCO** about the representative's outside business activities.

10. As part of **BAGWELL**'s duties, he was responsible for monitoring any outside business activities of representatives under his authority and to report those activities to the firms with which the representative is employed. **BAGWELL** failed to notify the firms and he participated in the outside business activity of the representative.

11. On February 23, 2015, **BAGWELL** consented to the following: a bar from association with any FINRA member in any principal capacity; a fine of \$25,000 (which includes disgorgement of \$7,600 representing the investment profits and \$445.43 in prejudgment interest); and a 30-day suspension from association with any FINRA member firm in all capacities.

12. On February 26, 2015, FINRA accepted a letter of acceptance, waiver and consent, which alleged that Registered Principal, **BAGWELL**, engaged in unapproved private securities

transactions in violation of NASD Rule 3040 and FINRA Rule 2210 and failed to supervise a registered representative for whom he was the direct supervisor in violation of NASD Rule 3010(D) and FINRA Rule 2010.

CONCLUSIONS OF LAW

13. The RESPONDENTS, failed to exercise diligent supervision over all the securities activities of its associated person and failed to establish, maintain or enforce written procedures, which set forth the procedures adopted by the dealer, issuer or investment adviser to comply with the listed duties imposed in violation of rule 830-X-3-.13(1).

14. Pursuant to Section 8-6-3(j)(10), Code of Alabama 1975, the Commission may suspend, revoke, censor or bar any registrant or any officer, director, partner or person occupying a similar status or performing similar functions for a registrant, from employment with a dealer or investment advisor, or restrict or limit a registrant as to any function or activity of the business for which registration is required in this state if the Commission finds that the order is in the public interest and that the registrant or, in the case of a dealer or investment advisor, any partner, officer or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the dealer or investment advisor has failed reasonably to supervise his agents or employees if he is a dealer, **BAGWELL**, while employed as the registered principle with **METLIFE** and **PRUCO** failed reasonably to supervise the mentioned registered representative by allowing non-approved outside business activities, by allowing unsuitable transactions, and by allowing the offer and sale of unregistered securities, in violation of the Act.

15. Pursuant to Section 8-6-3(j)(10), Code of Alabama 1975, the Commission may suspend, revoke, censor or bar any registrant or any officer, director, partner or person occupying a similar status or performing similar functions for a registrant, from employment with a dealer or

investment advisor, or restrict or limit a registrant as to any function or activity of the business for which registration is required in this state if the Commission finds that the order is in the public interest and that the registrant or, in the case of a dealer or investment advisor, any partner, officer or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the dealer or investment advisor has failed reasonably to supervise his agents or employees if he is a dealer, **RESPONDENTS** failed to reasonably supervise the representative and allowed exchanges of variable annuity products in client accounts for which the **RESPONDENTS** did not have a reasonable basis to believe were in the best interests of the clients in violation of the Act.

This Order is appropriate in the public interest for the protection of investors and consistent with the purposes of the Act.

This Order does not prevent the Commission from seeking such other civil or criminal remedies that may be available to it under the Act.

If the allegations set forth herein are found to be true, through either administrative adjudication or default of the **RESPONDENTS**, it is the intention of the Commission to impose sanctions upon the **RESPONDENTS**. Such sanctions may include, *inter alia*, an administrative assessment imposed on **RESPONDENTS**, an additional administrative assessment for investigative costs arising from the investigation of the violation(s) described herein against **RESPONDENTS**, and a permanent order to bar **RESPONDENTS** from participation in any securities related industry in the state of Alabama. Failure to respond within 28 days of service of this Order shall be deemed a waiver of the right to a hearing and will result in the entry of a final order directing **RESPONDENTS** to cease and desist from violating the Alabama Securities Act

and permanently barring **RESPONDENTS** from participation in any securities related industry in the state of Alabama.

ACCORDINGLY, IT IS HEREBY ORDERED that **RESPONDENTS SHOW CAUSE** to the Commission within 28 days of the date of this **ORDER**, why **RESPONDENTS** should not be suspended, revoked, censored or barred from the securities industry in the state of Alabama.

Entered at Montgomery, AL, this 5th day of November, 2015.



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BY:


Joseph P. Borg
Director