



**STATE OF TENNESSEE
BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE**

TENNESSEE INSURANCE DIVISION,)
Petitioner,)
v.)
VALIC FINANCIAL ADVISORS, INC.,)
Respondent.)

Docket No. 12.04-149432J
TID No. 17-096

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SECRETARY OF STATE

AGREED FINAL ORDER

The Insurance Division (“Division”) of the State of Tennessee Department of Commerce and Insurance (“Department”), by and through undersigned counsel, and Valic Financial Advisors, Inc. (“Respondent”), hereby stipulate and agree, subject to the approval of the Commissioner of the Tennessee Department of Commerce and Insurance (“Commissioner”), as follows:

GENERAL STIPULATIONS

1. It is expressly understood that this Agreed Final Order is subject to the Commissioner’s acceptance and has no force and effect until such acceptance is evidenced by the entry of the Commissioner.

2. This Agreed Final Order is executed by Respondent for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Agreed Final Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of

this Agreed Final Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

3. Respondent fully understands that this Agreed Final Order will in no way preclude additional proceedings by the Commissioner for acts and/or omissions not specifically addressed in this Agreed Final Order, or for facts and/or omissions that do not arise from the facts or transactions herein addressed.

4. Other than this proceeding brought by the Commissioner for violations of Title 56 of Tennessee Code Annotated addressed specifically in this Agreed Final Order, Respondent fully understands that this Agreed Final Order will in no way preclude proceedings by state or local officers, agencies, or civil or criminal law enforcement authorities against Respondent for violations of law under statutes, rules, or regulations of the State of Tennessee which may arise out of the facts, acts, or omissions contained in the Findings of Fact and Conclusions of Law stated herein, or which arise as a result of the execution of this Agreed Final Order by Respondent.

5. Respondent expressly waives all further procedural steps, and expressly waives rights to seek judicial review of or to otherwise challenge or contest the validity of this Agreed Final Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of said Agreed Final Order by the Commissioner.

6. Respondent fully understands and agrees that the Division is not required to file this Agreed Final Order with the Administrative Procedures Division of the Tennessee Secretary of State's Office if Respondent does not deliver to the Division payment of the below civil penalty assessment in a timely manner. Should Respondent not make this payment in a timely manner, this Agreed Final Order will not become effective and the Division will reschedule the hearing in this case on a contested docket before an Administrative Judge assigned to the

Secretary of State. This Agreed Final Order will become effective on the date it is filed with the Administrative Procedures Division of the Tennessee Secretary of State.

AUTHORITY AND JURISDICTION

7. The Commissioner has jurisdiction over this matter pursuant to the Tennessee Insurance Law (“Law”), Title 56 of the Tennessee Code Annotated, specifically Tenn. Code Ann. §§ 56-1-101, 56-1-202, 56-2-305, and 56-6-112. The Law places on the Commissioner the responsibility for the administration of its provisions.

PARTIES

8. The Division is the lawful agent through which the Commissioner administers the Law and is authorized to bring this action for the protection of the public.

9. Respondent is a for-profit corporation headquartered in Texas, whose address of record with the Division is 2929 Allen Parkway L7-10, Houston, TX 77019. Respondent obtained a Tennessee nonresident business entity insurance producer license, number 2331594, on April 6, 2016, and said license is currently scheduled to expire on March 1, 2018. Respondent is also registered with the Tennessee Securities Division (“TSD”) of this Department and with the Financial Industry Regulatory Authority (“FINRA”) as a broker-dealer (Central Registration Depository (“CRD”) # 42803), and has been since August 1997. Finally, Respondent is registered with the Securities and Exchange Commission (“SEC”) as an investment adviser, and has been so registered with the SEC and the TSD since October 1997.

FINDINGS OF FACT

10. On April 6, 2016, Respondent applied online for a Tennessee nonresident business entity insurance producer license with the Division.

11. Within this insurance producer license application submitted to the Division on April 6, 2016, Respondent incorrectly answered “no” to the fourth background question, which asks the following:

“Has the business entity or any owner, partner, officer or director of the business entity, or member or manager of a limited liability company, ever been named or involved as a party in an administrative proceeding, including a FINRA sanction or arbitration proceeding regarding any professional or occupational license, or registration?”

12. The Division issued a Tennessee nonresident business entity insurance producer license to Respondent on April 6, 2016, based on Respondent’s answers to the background questions and the overall content of its application.

13. On or about September 30, 2016, Respondent forwarded correspondence to the Division indicating that due to “administrative oversight and misinterpretation,” it had inadvertently provided an incorrect answer to the above quoted question on its application submitted to the Division on April 6, 2016.

14. As a supplement submitted along with its letter dated September 30, 2016, Respondent delivered to the Division a copy of an Acceptance, Waiver and Consent (“AWC”) disciplinary action effective October 12, 2007, whereby FINRA imposed a censure and a monetary fine of \$250,000 against Respondent for violations of several rules of the National Association of Securities Dealers (“NASD”), and a copy of an Order of the Oklahoma Insurance Department filed on June 14, 2016, imposing a \$300 fine for failing to disclose the FINRA action on Respondent’s Oklahoma application.

CONCLUSIONS OF LAW

15. Respondent’s actions as set forth above in the foregoing Findings of Fact, constitute violations of Tenn. Code Ann. §§ 56-6-112(a)(1) and 56-6-119(a) (2011), which read as follows:

Tenn. Code Ann. § 56-6-112

- (a) The commissioner may place on probation, suspend, revoke or refuse to issue or renew a license issued under this part or may levy a civil penalty in accordance with this section or take any combination of those actions, for any one (1) or more of the following causes:

(1) Providing incorrect, misleading, incomplete or materially untrue information in the license application[.]

....

Tenn. Code Ann. § 56-6-119

- (a) A producer shall report to the commissioner any administrative action taken against the producer in another jurisdiction or by another governmental agency in this state within thirty (30) days of the final disposition of the matter. This report shall include a copy of any order entered or other relevant legal documents.

16. Respondent's violations of Tenn. Code Ann. §§ 56-6-112(a)(1) and 56-6-119(a) (2011) constitute grounds for the imposition of lawful discipline, including the assessment of civil penalties, as prescribed at Tenn. Code Ann. §§ 56-6-112(g)(1), (2), and (3), which read as follows:

- (g) If the commissioner finds that any person required to be licensed, permitted, or authorized by the division of insurance pursuant to this chapter has violated any statute, rule or order, the commissioner may, at the commissioner's discretion, order:
- (1) The person to cease and desist from engaging in the act or practice giving rise to the violation;
 - (2) Payment of a monetary penalty of not more than one thousand dollars (\$1,000) for each violation, but not to exceed an aggregate penalty of one hundred thousand dollars (\$100,000). This subdivision (g)(2) shall not apply where a statute or rule specifically provides for other civil penalties for the violation. For purposes of this subdivision (g)(2), each day of continued violation shall constitute a separate violation; and
 - (3) The suspension or revocation of the person's license.

17. Based upon the above Findings of Fact and Conclusions of Law, the Commissioner considers that the Respondent's actions warrant the imposition of lawful discipline, to include assessment of a civil penalty in accordance with Tenn. Code Ann. §§ 56-6-112(g)(1), (2), and (3).

18. In order to avoid further expenses or costs associated with additional administrative litigation of this matter or judicial review, Respondent hereby acknowledges the Commissioner's authority to administer the statutes cited herein, concedes that the Commissioner's interpretation of the statutes cited in the Conclusions of Law are reasonable and enforceable, and agrees to the entry of this Agreed Final Order, including each of the following sanctions ordered by the Commissioner.

ORDER

NOW, THEREFORE, on the basis of the foregoing, and Respondent's waiver of the right to a hearing and appeal under the Law and the Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-101 to 4-5-404 (2011), and Respondent's admission of jurisdiction of the Commissioner, the Commissioner finds that Respondent, for the purpose of settling this matter, admits the Findings of Fact and Conclusions of Law, agrees to the entry of this Agreed Final Order pursuant to Tenn. Code Ann. § 4-5-314(a) and agrees that this Agreed Final Order is in the public interest and is consistent with the purposes fairly intended by the Law.

IT IS ORDERED, pursuant to Tenn. Code Ann. § 56-6-112(g) that:

1. Respondent is **ASSESSED a CIVIL PENALTY** in the amount of five hundred dollars (\$500), which shall be received by the Department by February 1, 2018.
2. Respondent's payment to the Department of the five hundred dollar (\$500) civil penalty assessment shall include a copy of the first page of this Agreed Final Order and shall be mailed to:

State of Tennessee
Department of Commerce and Insurance
Office of Legal Counsel
Attn: Jesse D. Joseph, Assistant General Counsel
500 James Robertson Parkway, 8th Floor
Nashville, TN 37243

3. Respondent's payment of this five hundred dollar (\$500) civil penalty assessment to the Department shall be considered timely made if the entire amount is **received** by the Department within seven (7) calendar days of the date such payment is due. All payments of this civil penalty assessment shall be made payable to the "State of Tennessee."

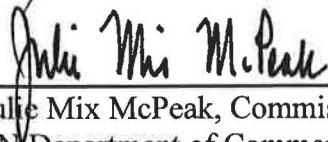
4. All persons in any way assisting, aiding, or helping Respondent in any of the aforementioned violations of Tenn. Code Ann. §§ 56-6-112 and 56-6-119 shall **CEASE AND DESIST** from all such activities in violation of the Law.

IT IS ORDERED that this Agreed Final Order represents the complete and final resolution of, and discharge with respect to all administrative and civil, claims, demands, actions, and causes of action by the Commissioner against Respondent for violations of Tenn. Code Ann. §§ 56-6-112(a)(1) and 56-6-119(a) alleged by the Division to have occurred with respect to the transactions involving the facts contained herein.

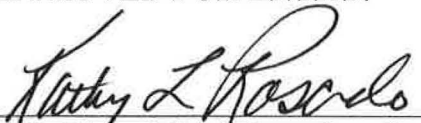
This Agreed Final Order is in the public interest and in the best interests of the parties, represents a compromise and settlement of the controversy between the parties, and is for settlement purposes only. By the signatures affixed below, Respondent affirmatively states that it has freely agreed to the entry of this Agreed Final Order, that it waives the right to a hearing on the matters underlying this Agreed Final Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made to it by the Commissioner, the Division, or any agent or representative thereof. The parties,


by signing this Agreed Final Order, affirmatively state their agreement to be bound by the terms of this Agreed Final Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of the settlement as set forth in this Agreed Final Order, are binding upon them.

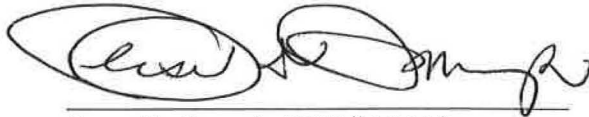
ENTERED this 22 day of January, 2018.


Julie Mix McPeak, Commissioner
TN Department of Commerce and Insurance

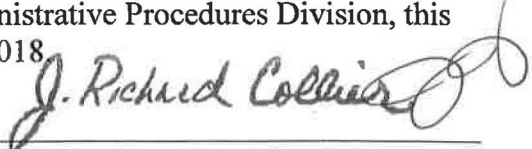
APPROVED FOR ENTRY:


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Michael Humphreys
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Filed in the Office of the Secretary of State, Administrative Procedures Division, this
30 day of January, 2018.


J. Richard Collier, Esq., Director,
Administrative Procedures Division