

State of Missouri
Office of Secretary of State

Case No. AP-11-14

IN THE MATTER OF:

A. G. EDWARDS & SONS, INC., CRD No. 4

Respondent.

Serve A. G. Edwards & Sons, Inc.
n/k/a A.G. Edwards & Sons, LLC
One North Jefferson Avenue
St. Louis, Missouri 63103

CONSENT ORDER

SUMMARY OF ENFORCEMENT SECTION'S ALLEGATIONS

1. The Enforcement Section of the Missouri Securities Division ("Enforcement Section") has alleged that A.G. Edwards & Sons, Inc. n/k/a A.G. Edwards & Sons, LLC, ("Respondent" or "AGE") failed to make, maintain, and preserve certain records. These violations constitute grounds for civil enforcement and administrative enforcement proceedings pursuant to Sections 409.6-603 and 409.6-604, RSMo. (Cum. Supp. 2009), respectively.
2. Respondent and the Enforcement Section desire to settle the allegations and the matters raised by the Enforcement Section relating to the Respondent's alleged activities.

CONSENT TO JURISDICTION

3. Respondent and the Enforcement Section stipulate and agree that the Commissioner has jurisdiction over the Respondent and these matters pursuant to the Missouri Securities Act of 2003, Chapter 409, *et seq.*
4. Respondent and the Enforcement Section stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), RSMo. (Cum. Supp. 2009), which provides:

"The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act."

WAIVER AND EXCEPTION

5. Respondent waives its right to a hearing with respect to this matter.
6. Respondent waives any right that it may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondent specifically forever releases and holds harmless the Missouri Office of Secretary of State, Secretary of State, Commissioner of Securities, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
7. Respondent stipulates and agrees with the Enforcement Section that, should the facts contained herein prove to be false or incomplete, the Enforcement Section reserves the right to pursue any and all legal or administrative remedies at its disposal.

CONSENT TO COMMISSIONER'S ORDER

8. Respondent and the Enforcement Section stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
9. Respondent agrees not to take any action or to make or permit to be made any public statement creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondent's (a) testimonial obligations; (b) rights to take legal or factual position in defense of litigation or in defense of other legal proceedings in which the Commissioner of Securities is not a party; or (c) rights to make public statements that are factual.
10. Respondent agrees that Respondent is not the prevailing party in this action since the parties have reached a good faith settlement.
11. Respondent neither admits nor denies the allegations made by the Enforcement Section, but consents to the Commissioner's Findings of Fact, Conclusions of Law, and Order as set forth below solely for the purposes of resolving this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.
12. Respondent's agreement to the issuance of this Consent Order is not and shall not be construed as an admission of the

allegations made by the Enforcement Section or the Commissioner's Findings of Fact and Conclusions of Law.

**COMMISSIONER'S FINDINGS OF FACT,
CONCLUSIONS OF LAW, AND ORDER**

I. FINDINGS OF FACT

13. A. G. Edwards & Sons, Inc. was a corporation organized under the laws of the State of Delaware. A. G. Edwards & Sons, Inc. was a Missouri registered broker-dealer until February 15, 2008, and had a Central Registration Depository ("CRD") number of 4. A. G. Edwards & Sons, Inc., n/k/a/ A. G. Edwards & Sons, LLC ("AGE"), had a principal place of business at all times relevant to this matter of One North Jefferson Avenue, St. Louis, Missouri 63103.
14. The Enforcement Section received a complaint by an 81-year old Missouri resident ("MR1") from Blue Eye, Missouri concerning the liquidation of a variable annuity. The Enforcement Section reviewed all variable annuity purchases, exchanges, and/or sales made by agents of Respondent for the period July 1, 2006, through June 30, 2007.
15. This review revealed that there were instances involving the sale of variable annuities to elderly customers in Missouri during the relevant time period where Respondent could not produce records reflecting that Respondent had ensured that these annuities were sold in compliance with its written supervisory procedures.
16. The policies and procedures relating to variable annuities that were in effect during the review period are no longer in effect and have been replaced by the policies and procedures of Respondent's successor-in-interest.

II. CONCLUSIONS OF LAW

17. The Commissioner, after consideration of the stipulations set forth above and on the consent of Respondent and the Enforcement Section, finds and concludes that: (a) the Commissioner has jurisdiction over this Respondent and this matter; (b) Respondent failed to make, maintain, and preserve records relating to the sale of products issued by financial services companies as required by Rules 17a-3 and 17a-4 under the Securities Exchange Act of 1934, as amended, and Respondent's written supervisory procedures, violating Missouri Rules CSR 30-51.120 and CSR 30-51.130; and (c) the following Order is in the public interest, necessary for the protection of public investors and consistent with the purposes intended by Chapter 409, RSMo. (Cum. Supp. 2009).

III. ORDER

NOW, THEREFORE, it is hereby Ordered that:

1. Respondent shall pay to the Missouri Secretary of State's Investor Education and Protection Fund the sum of three hundred twenty-five thousand dollars (\$325,000) immediately upon the effective date of this Order. This amount shall be sent to the Securities Division, and the Securities Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund;
2. Respondent shall pay to the Missouri Secretary of State's Investor Restitution Fund three hundred fifty thousand four hundred forty-nine (\$350,449), which amount will be distributed by that Fund to thirty (30) investors as identified by the Securities Division. Respondent acknowledges that, at the direction of the Securities Division, it previously paid thirty-one thousand five hundred forty-four dollars (\$31,544) to one (1) investor identified by the Securities Division;
3. Respondent shall pay fifty thousand dollars (\$50,000) as the cost of this investigation. This amount shall be payable to the Missouri Secretary of State's Investor Education and Protection Fund. This amount shall be immediately due and payable, and shall be submitted to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101;
4. Respondent shall pay its own costs and attorneys' fees with respect to this matter.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 18TH DAY OF APRIL, 2011.

ROBIN CARNAHAN
SECRETARY OF STATE

(Signed/Sealed)
MATTHEW D. KITZI
COMMISSIONER OF SECURITIES

Consented to by:
MISSOURI SECURITIES DIVISION

Mary S. Hosmer
Assistant Commissioner of Securities

A. G. Edwards & Sons, LLC

Approved as to Form:

Jeffrey Kalinowski
Attorney for Respondent