

STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
SAGEPOINT FINANCIAL, INC.,)
)
Respondent.) Case No. AP-13-22
)
)
Serve: Sagepoint Financial, Inc.)
2800 North Central Avenue, Suite 2100)
Phoenix, Arizona 85004-1072)
)

CONSENT ORDER

SUMMARY OF ENFORCEMENT SECTION’S ALLEGATIONS

1. The Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“Enforcement Section”), through Assistant Commissioner Mary S. Hosmer, has alleged that Sagepoint Financial, Inc. (“Sagepoint” or “Respondent”) failed to reasonably supervise Guy F. Weber (“Weber”), a Missouri-registered agent who engaged in dishonest or unethical practices in violation of Missouri law, and that this constitutes grounds to revoke, suspend, condition, limit or impose a civil penalty on Sagepoint in Missouri pursuant to Section 409.4-412(d)(9), RSMo. (Cum. Supp. 2012).
2. Respondent and the Enforcement Section desire to settle the allegations and the matters raised by the Enforcement Section relating to Respondent’s above alleged violations while Weber was a Missouri registered broker-dealer agent with Respondent.

CONSENT TO JURISDICTION

3. Respondent and the Enforcement Section stipulate and agree that the Missouri Commissioner of Securities (“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. 2012), 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 Respondent’s right to a hearing with respect to this matter.
6. Respondent waives any right that Respondent 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, 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) right to take legal or factual positions in defense of litigation or in defense of other legal proceedings in which the Commissioner is not a party; or (c) right 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.

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

I. FINDINGS OF FACT

12. Sagepoint is a Missouri-registered broker-dealer with a home office address of 2800 North Central Avenue, Suite 2100, Phoenix, Arizona 85004-1072. Sagepoint is registered in Missouri through the Central Registration Depository ("CRD") with number 133763.
13. American General Securities, Incorporated ("AGSI") was a Missouri-registered investment advisory and broker-dealer firm based in Arizona with a main address of 2800 North Central Avenue, Suite 2100, Phoenix, Arizona 85004-1072. AGSI was registered in Missouri through the CRD with number 13626. A check of the CRD records indicates a mass transfer of AGSI agents to Sagepoint occurred on October 31, 2008. On November 25, 2008, AGSI terminated its broker-dealer registration in Missouri.
14. Weber was a Missouri-registered broker-dealer agent with AGSI from October 1, 2002, through October 31, 2008, and with Sagepoint from October 31, 2008, through July 31, 2011. Weber had a Sagepoint branch office address of 1059 Shallowbrook Drive, St. Peters, Missouri 63376. Weber was registered in Missouri through the CRD with number 2692775. Weber did business as Gateway Financial Resources ("GFR"). GFR was registered as a fictitious name in Missouri on March 3, 1998, with an address of 1 Mid Rivers Mall Drive, Suite 330, St. Peters, Missouri 63376. A check of the records of the Missouri Business Services Division indicates Weber was an owner of GFR. GFR's fictitious name registration expired on October 17, 2009. Weber passed away on July 31, 2011.
15. On July 28, 2011, the Enforcement Section received a complaint from a Warrenton, Missouri, resident. The complaint stated that the complainant's mother had purchased an annuity with Weber in or around 2005. After the complainant's mother passed away, Weber told the complainant that she was the primary beneficiary and would be receiving monthly checks. The complainant received three (3) checks in February, March, and April of 2011. In May and June of 2011, the complainant did not receive a monthly check. The complainant began conducting research on the annuity investment and discovered the monthly checks were paid from a bank account owned and/or controlled by Weber. The Enforcement Section opened an investigation of Weber and Sagepoint.
16. Between October 2011 and September 2013, Sagepoint sent documents to the Enforcement Section relating to Weber's unauthorized activity.
17. Investigators with the Enforcement Section interviewed clients of Sagepoint who were victims of Weber's unauthorized activity. These interviews revealed that Weber:

- a. while a registered broker-dealer agent at AGSI and Sagepoint solicited at least twelve (12) Sagepoint clients over a span of seven (7) years, from November 2005 through February 2011, ranging from forty-nine to ninety-three [49 to 93] years of age to invest in private securities transactions;
 - b. made recommendations to Sagepoint clients to liquidate various investments and write personal checks to a GFR bank account that was owned and/or controlled by Weber (“GFR Bank Account”);
 - c. deposited at least eighty (80) checks from clients into the GFR Bank Account;
 - d. made a recommendation to at least one (1) Sagepoint client to liquidate a Sagepoint brokerage account and to endorse the check directly over to the GFR Bank Account; and
 - e. deposited Sagepoint client funds into the GFR Bank Account and used a portion of these funds for Weber’s personal expenses.
18. Sagepoint, in its supervision of Weber, among other things, failed to:
- a. conduct an Annual Practice Review (“APR”) of an agent with a view to detect, identify and investigate violations of the securities laws;
 - b. reasonably oversee the supervisors of the satellite office and agent by, among other things, failing to:
 - i. ensure that supervisors could reasonably use and complete firm-developed supervisory tools including, but not limited to, the APR;
 - ii. ensure that supervisors reasonably understood the questions on the APR and the ways in which those questions related to their supervisory duties and responsibilities;
 - iii. ensure that these supervisors had a robust understanding of their duties and responsibilities, and that these duties and responsibilities were designed to help ensure the protection of client funds;
 - iv. ensure that these supervisors recognized circumstances when additional efforts were necessary to adequately understand activity in customer accounts and/or problematic activity on behalf of the agent; and
 - v. ensure that these supervisors reviewed CRD branch office filings prior to conducting supervisory office visits and/or APRs.

19. Sagepoint has provided information not unacceptable to the Enforcement Section that it has in place policies, procedures and controls to, among other things:
 - a. detect, identify, and investigate an agent engaged in violations of the securities laws (including matters addressed in paragraph 18 of this Order);
 - b. train supervisors on the detection, identification, and investigation of violations of the securities laws (including matters addressed in paragraph 18 of this Order);
 - c. review offices and agents with a view to detect, identify and investigate violations of the securities laws (including matters addressed in paragraph 18 of this Order); and
 - d. oversee supervisors in order to detect, identify and investigate violations of the securities laws (including matters addressed in paragraph 18 of this Order).
20. During the course of the Enforcement Section's investigation, Sagepoint paid in excess of seven hundred thousand dollars (\$700,000) to Sagepoint clients affected by Weber's activities.

II. CONCLUSIONS OF LAW

21. The Commissioner finds Sagepoint failed to supervise a Missouri-registered agent employed by Sagepoint who engaged in dishonest and unethical practices in violation of Sections 409.4-212(d)(13), RSMo. (Cum. Supp. 2012). Sagepoint is subject to discipline for failing to reasonably supervise the agent's activities pursuant to Section 409.4-412(d)(9), RSMo. (Cum. Supp. 2012).
22. The Commissioner, after consideration of the stipulations set forth above and on the consent of Sagepoint and the Enforcement Section, finds and concludes that the Commissioner has jurisdiction over Sagepoint and this matter and that 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. 2012).

III. ORDER

NOW, THEREFORE, it is hereby Ordered that:

1. Sagepoint, Sagepoint's agents, employees and servants, and all other persons participating in the above-described violations with knowledge of this order are permanently enjoined and restrained from failing to reasonably supervise Missouri-registered agents of Sagepoint in violation of Section 409.4-412(d)(9), RSMo. (Cum. Supp. 2012).

2. Sagepoint is hereby CENSURED.
3. Sagepoint shall compensate all Sagepoint clients for all client funds improperly received by Weber and/or GFR. To date, Sagepoint has paid ten (10) clients over seven hundred thousand dollars (\$700,000) as a result of Weber's activities and has offered to pay the remaining clients for their losses. The amounts offered and/or paid are at least one hundred percent (100%) of the amount of money the clients lost by investing through GFR and/or Weber.
4. Sagepoint shall pay to the Missouri Secretary of State's Investor Education and Protection Fund the sum of one hundred thousand dollars (\$100,000). This payment shall be sent within ten (10) days of the effective date of this Consent Order to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be payable to the Missouri Secretary of State's Investor Education and Protection Fund. The Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund.
5. Sagepoint is ordered to pay sixteen thousand dollars (\$16,000) as the cost of this investigation. This amount shall be sent within ten (10) days of the effective date of this Consent Order to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be payable to the Missouri Secretary of State's Investor Education and Protection Fund. The Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund.
6. Sagepoint 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 4TH DAY OF DECEMBER, 2013.



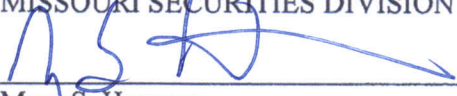
JASON KANDER
SECRETARY OF STATE

Andrew M. Hartnett

ANDREW M. HARTNETT
COMMISSIONER OF SECURITIES

Consented to by:

THE ENFORCEMENT SECTION OF THE
MISSOURI SECURITIES DIVISION



Mary S. Hosmer
Assistant Commissioner of Securities


SAGEPOINT FINANCIAL, INC.

BY: 

NAME: Nash Sorokin

TITLE: Chief Legal Officer

Approved as to Form:



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