

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012030783101**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: American Investors Group, Inc., Respondent
CRD No. 10020

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, American Investors Group, Inc., submits this Letter of Acceptance, Waiver, and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. American Investors Group, Inc. ("AIG") hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

Background

AIG has been a member of FINRA – and, previously, the NASD – since February 3, 1987. The firm's primary source of revenue is the underwriting and sale of debt instruments of religious institutions ("Church Bonds"), which are exempt from SEC registration. AIG's home office is in Minnetonka, Minnesota. The firm has 20 registered individuals and 11 branch locations.

Relevant Disciplinary History

None

Overview

Between January 2009 and February 2012, AIG failed to establish and implement an adequate supervisory system to ensure adequate due diligence and fair pricing of church bonds bought and sold on the secondary market. During the same time period, AIG published and distributed advertising materials containing statements that were not fair and balanced and that were potentially misleading.

Through this conduct, AIG violated NASD Rules 3010 and 2210 and FINRA Rule 2010.

Facts and Violative Conduct

AIG's Church Bond business

AIG specializes in underwriting and selling bonds issued by churches throughout the United States. Issuers of church bonds are not public-reporting entities, and the bonds, which are secured by first mortgages on real property of the issuer, are sold pursuant to terms stated in offering circulars. AIG typically receives both sales commissions and underwriting management fees from the offerings. The maturity dates of these bonds range up to 25 years from the date of issuance.

Although there is no established secondary market for these securities, investors sometimes wish to sell Church Bond holdings before maturity. During the relevant time period, these individual issues were typically very thinly traded. For customers who wished to liquidate Church Bond holdings, however, AIG purchased bonds into its own inventory and later resold them. AIG did so primarily as an accommodation to customers, as there were no other firms purchasing bonds on the secondary market. In addition, any bonds that AIG held in its inventory were subject to a 100% charge against its net capital until sold. AIG often purchased bonds from estates of deceased customers. The firm also sometimes bought nonperforming bonds as part of overall portfolios, but did not resell them.

AIG's supervision of secondary trading in Church Bonds

Whereas AIG subjected Church Bonds to a significant due-diligence process during initial underwriting, the firm did not have any established written process for investigating the status of individual Church Bonds before offering them to secondary-market customers. Although AIG knew whether a bond was in default, it did not have a supervisory system that required its personnel to further investigate the bond issuer's ability to continue making sinking-fund payments in the future. The firm would review the issuer's payment history and most recently submitted financial statements, but because church issuers do not issue public reports, their financial statements were not always current and were not typically prepared by a CPA. Nor did the firm's supervisory system or procedures in place between January 2009 and February 2012 specifically require that firm personnel consider relevant market conditions, such as changes in the interest-rate environment, in connection with secondary-market sales. Thus, with respect to Church Bonds traded in the secondary market, AIG did not conduct adequate ongoing due diligence.

Because it was the only participant in this secondary market, AIG set the prices at which it repurchased and resold church bonds at its own discretion and had no

"market price" or other external reference upon which to rely. On at least 214 occasions between January 2009 and February 2012, the firm bought Church Bonds from customers at a significant discount from par value, placed the bonds into its inventory, and later sold the bonds to other customers at par. Of these, 85 transactions had markups of greater than 10% and 31 had markups of greater than 20%. AIG held 27 of these bonds in its inventory for 14 days or fewer and held 16 in inventory for more than 100 days. The average time AIG held the repurchased bonds in its inventory was 48 days.

During this time, AIG's supervisory system did not require that the firm apply a particular methodology or process to determine the extent of its markdowns or markups. The firm's written supervisory procedures did not address the subject at all. As a result, AIG's supervisory system and procedures were not reasonably designed to ensure fair pricing of church bonds in the secondary market.

Through this conduct, AIG violated NASD Rule 3010(a) and (b) and FINRA Rule 2010.

Advertising of Church Bonds

Between January 2009 and February 2012, AIG published fliers and maintained a publicly accessible website in connection with its Church Bond sales. Four of the fliers that AIG created and distributed during this time did not provide a fair and balanced presentation of the risks and rewards of the Church Bonds that they promoted. In particular, although the communications prominently promoted the high interest rates paid to bondholders, they relegated disclosure of the related risks to a brief, overly general footnote.

The AIG website also failed to provide a clear and balanced disclosure of the risks and rewards of the various securities promoted through the website. For example, although the website repeatedly and prominently referred to the benefits and high interest rates offered by the promoted securities, pertinent risk disclosures appeared only in an isolated block and at the end of a "Frequently Asked Questions" area.

The website also failed to provide a basis for potential customers to evaluate several claims about the promoted securities. For example, the website asserted that the Church Bonds offered by AIG provided "excellent current income" and "highly competitive yields." It also stated that "[AIG's] bond program is different than ones you may have heard about," and that AIG was "[n]ationally recognized for its expertise and innovation in church financing" Because the website did not provide factual bases for these statements, the claims were unwarranted and possibly misleading.

Through this conduct, AIG violated NASD Rule 2210 and FINRA Rule 2010.

B. AIG also consents to the imposition of the following sanctions:

1. Censure
2. A fine in the amount of \$35,000.00

AIG agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. AIG has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

AIG specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

AIG specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against AIG;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, AIG specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

AIG further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance

or rejection.

III.

OTHER MATTERS

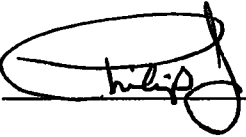
AIG understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against AIG; and
- C. If accepted:
 - 1. this AWC will become part of AIG's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against AIG;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about AIG's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. AIG may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. AIG may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects AIG's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. AIG may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. AIG understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

December 11, 2013
Date

American Investors Group, Inc.
Respondent, American Investors Group, Inc.

By:  Philip J. Myers - President

Reviewed by:


Counsel for American Investors Group, Inc.

Accepted by FINRA:

Jan. 13, 2014
Date

Signed on behalf of the
Director of ODA, by delegated authority


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