

**OFFICE OF THE MISSISSIPPI SECRETARY OF STATE
BUSINESS REGULATION AND ENFORCEMENT DIVISION**

In The Matter Of:)
)
Dan C. Smith and) **Administrative Proceeding**
American Advisors, Inc.) **Number: S-06-0134**
)
RESPONDENTS

CONSENT AGREEMENT

THIS AGREEMENT is hereby entered into between the State of Mississippi, Secretary of State's Office, Business Regulation and Enforcement Division (hereinafter "Division"), by and through James O. Nelson, II, Assistant Secretary of State, and Respondents American Advisors, Inc., and Dan C. Smith (hereinafter "Smith"), individually and on behalf of American Advisors, Inc.

The Division, having the power to administer and to provide for the enforcement of all provisions of the Mississippi Securities Act (hereinafter "Act"), and Respondents do hereby enter into this Consent Agreement in resolution of the Summary Cease and Desist Order and Notice of Intent to Impose Administrative Penalty (hereinafter "Order") issued October 20, 2006, detailing allegations by the Division of violations of certain provisions of the Act.

The Division's conclusions of law contained in the Order were as follows.

1. The Secretary of State has jurisdiction over this matter and the parties pursuant to Miss. Code Ann. §75-71-107(a) of the Mississippi Securities Act.
2. Respondent Smith violated Section 75-71-303(a) of the Act by transacting business in this state as an "investment adviser representative," as that term is defined in Miss. Code Ann. § 75-71-105(h), while not registered as such with the

Division.

3. Respondent American Advisors, Inc., violated Section 75-71-303(a) of the Act by transacting business in Mississippi as an “investment adviser,” as that term is defined in Miss. Code Ann. § 75-71-105(h), without registering as such with the Division.
4. Respondent American Advisors, Inc., violated Section 75-71-303(b) of the Act by employing an investment adviser representative who is not registered as such with the Division.

NOW, THEREFORE, it is hereby agreed as follows:

- A. At all times relevant hereto, it was and continues to be the intent of Respondents to comply with the requirements of the Act, and, to that end, to cooperate with the Division.
- B. It is the intent of the Division and Respondents to reach an expeditious and appropriate resolution of this matter as it pertains to Respondents’ involvement therein.
- C. Based upon the representations and information obtained by the Division’s independent investigation, the Division has determined not to proceed to a hearing as to Respondents.
- D. Respondents admit to the jurisdiction of the Division as to all matters herein.
- E. Respondents neither admit, nor deny that their conduct was in violation of the Act and at all times relevant believed that they were acting within the bounds of the Act.

- F. Respondents Smith and American Advisors, Inc., consent to the payment of Twenty Five Thousand Dollars (\$25,000.00) jointly and severally to be paid upon the execution of this Consent Agreement. Payment shall be remitted to the "Mississippi Secretary of State" and must be received by the Division within thirty (30) days of the execution of this Agreement. Twenty Two Thousand Five Hundred Dollars (\$22,500.00) of the Twenty Five Thousand Dollars (\$25,000.00) shall be suspended unless Respondents violate any provisions of the Act and/or Rules promulgated thereunder at any time subsequent to the execution of this agreement. If Respondents violate any provisions of the Act and/or Rules subsequent to this agreement, then (1) Respondents shall immediately remit payment of the Twenty Two Thousand Five Hundred Dollars (\$22,500.00) to the Division, payable to the "Mississippi Secretary of State," and (2) the Division shall impose an additional penalty taking into consideration that this would be an offense in addition to those detailed in the Division's Summary Cease and Desist Order and Notice of Intent to impose Administrative Penalty.
- G. Smith agrees neither, during the course of his natural life, (1) to offer and/or sell any securities in the State of Mississippi, nor (2) to offer and/or sell any securities to any Mississippi residents, in either case without being registered as a broker-dealer or agent, as required under the Act, or otherwise under circumstances when registration as a broker-dealer or agent is not required, as determined by the Division.

- H. Smith agrees neither to act as an investment advisor, nor investment advisor representative in Mississippi, or for or with respect to residents of the State of Mississippi, unless he is properly registered to act as such or otherwise under a circumstance or circumstances where registration as such is not required under the Act, as determined by the Division.
- I. Respondents agree to sell only standard, traditional insurance products including property, fire, casualty, life, health, accident, disability, automobile insurance, and fixed annuities in the future in Mississippi or for or with respect to residents of the State of Mississippi. Smith agrees neither to sell variable annuities, nor equity indexed annuities in Mississippi or for or with respect to residents of the State of Mississippi without prior written approval of the Division.
- J. Smith agrees to cooperate fully with the Division in any future investigations relating to the offer and/or sale of any securities or the rendering of any investment advice including, but not limited to, American Advisors, Inc., in Mississippi or for or with respect to residents of the State of Mississippi.
- K. If Respondents determine to sell securities, with prior registration with the Division, or non-traditional insurance products such as variable annuities or equity indexed annuities, or any other non-traditional insurance product, in Mississippi or for or with respect to residents of the State of Mississippi with prior written approval of the Division, then Respondents agree that they will

keep the following books and records maintained in electronic format as long as they are stored in a secure location and easily accessible for inspection:

1. A file containing all advertising and promotional material circulated to one or more individuals including, but not limited to, business cards, brochures, flyers, booklets, newsletters, seminar material and scripts, website pages, newspaper, radio and television advertisements;
2. A file containing all incoming and outgoing business-related correspondence, including electronic correspondence, to and from customers or prospective customers, affiliated or appointed companies and marketing organizations;
3. A file containing all written and/or verbal complaints received;
4. A file containing all correspondence and documentation relating to matters involving regulatory or law enforcement agencies, and civil and/or criminal proceedings;
5. Copies of all hypothetical illustrations, recommendations, proposals, or reports presented to customers or prospective customers;
6. Copies of all customer statements generated, prepared, or produced by the non-registered person. This does not include customer statements generated by a broker-dealer, bank, insurance company, or other financial institution which are sent directly to the customer; and,

7. Copies of all customer-signed agreements, contracts, applications, forms, or other documents to be maintained for three years following termination as a customer.
- L. If Smith determines to sell securities, with prior registration with the Division, or non-traditional insurance products such as variable annuities or equity indexed annuities, or any other non-traditional insurance product in Mississippi or for or with respect to residents of the State of Mississippi, then Smith agrees that should he have any change of employment, or change his affiliation with any corporation, partnership, LLC, or any other entity that may exist under law, then he will notify both the Division and the Mississippi Department of Insurance in writing within thirty (30) days of said change.
- M. American Advisors, Inc., agrees never to transact business in Mississippi as an investment adviser without registering as such with the Division.
- N. American Advisors, Inc., agrees never to employ an investment adviser representative who is not registered as such with the Division to provide services in Mississippi or to or for any resident of the State of Mississippi.
- O. This Consent Agreement contains the entire understanding between the parties and supersedes any prior understandings and agreements between them respecting the subject matter of this Consent Agreement. Furthermore, the parties herein represent that they have read each provision, understand each provision, and agree to each provision herein.
- P. A willful failure to comply with any of the terms, conditions or obligations of this Agreement will result in Respondents being deemed to be in violation of

a lawful order made pursuant to the Act and, therefore, subject to the penalties available under the Act.

- Q. Respondents are aware of their right to a hearing on this matter at which they may be represented by counsel, present evidence and cross-examine witnesses. Respondents hereby irrevocably waive the right to such a hearing.
- R. The entry of this Agreement represents the settlement of regulatory claims by the Division against Respondents only and does not, in any way, restrict or affect the rights or causes of action, if any, of any individual or entity.
- S. This Agreement pertains only to those matters set forth in the Order, referred to above, and only to Respondents' involvement therein.
- T. Respondents acknowledge that they have read this Consent Agreement in its entirety and fully understand the rights, terms, and obligations contained therein.

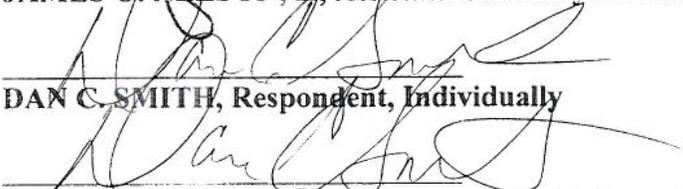
WHEREFORE, the undersigned hereby acknowledge and agree to the terms and conditions of the foregoing Agreement by written consent.

THIS the 16th day of February, 2007

ERIC CLARK, Secretary of State

By: 

JAMES O. NELSON, II, Assistant Secretary of State


DAN C. SMITH, Respondent, Individually

DAN C. SMITH, On Behalf of American Advisors, Inc., Respondent