

March 14, 2016

Amy Natterson Kroll, Esq.
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1111 Pennsylvania Avenue, NW
Washington, DC 20004

**Re: In the Matter of Royal Alliance Associates, Inc., SagePoint Financial, Inc. and FSC Securities Corporation
Waiver of Disqualification under Rule 506(d)(2)(ii) of Regulation D
Securities Exchange Act Release No. 77362, March 14, 2016
Investment Advisers Act Release No. 4351, March 14, 2016
Administrative Proceeding File No. 3-17169**

Dear Ms. Kroll:

This letter is in response to your letter dated March 8, 2016 (“Waiver Letter”), written on behalf of Royal Alliance Associates, Inc., SagePoint Financial, Inc. and FSC Securities Corporation (the “Firms”) and constituting an application for waivers of disqualification under Rule 506(d)(2)(ii) of Regulation D under the Securities Act of 1933. In the Waiver Letter, you requested relief from any disqualification that will arise as to the Firms under Rule 506 of Regulation D by virtue of the Commission’s order entered March 14, 2016 in the Matter of Royal Alliance Associates, Inc., SagePoint Financial, Inc. and FSC Securities Corporation pursuant to Section 15(b) of the Securities Exchange Act of 1934, Release No. 77362, and Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, Release No. 4351, (the “Order”).

Based on the facts and representations in the Waiver Letter and assuming the Firms comply with the Order, the Division of Corporation Finance, acting for the Commission pursuant to delegated authority, has determined that the Firms have made a showing of good cause under Rule 506(d)(2)(ii) of Regulation D that it is not necessary under the circumstances to deny reliance on Rule 506 of Regulation D by reason of the entry of the Order. Accordingly, the relief requested in the Waiver Letter regarding any disqualification that may arise as to the Firms under Rule 506 of Regulation D by reason of the entry of the Order is granted on the condition that the Firms fully comply with the terms of the Order. Any different facts from those represented or failure to comply with the terms of the Order would require us to revisit our determination that good cause has been shown and could constitute grounds to revoke or further condition the waiver. The Commission reserves the right, in its sole discretion, to revoke or further condition the waiver under those circumstances.

Very truly yours,

/s/ Elizabeth Murphy

Elizabeth Murphy
Associate Director
Division of Corporation Finance

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March 8, 2016

Eun Ah Choi
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: In the Matter of Royal Alliance Associates, Inc., SagePoint Financial, Inc. and FSC Securities Corporation

Dear Ms. Choi:

We submit this letter on behalf of our clients American International Group, Inc. ("AIG") and its indirect subsidiaries, Royal Alliance Associates, Inc., SagePoint Financial, Inc. and FSC Securities Corporation (together, but not including AIG, the "Respondents" or the "Firms"), each dually registered with the SEC as a broker-dealer and an investment adviser, in connection with the settlement of the above-referenced administrative proceeding by the U.S. Securities and Exchange Commission ("SEC" or "Commission") against the Respondents.¹

As a result of the above referenced administrative proceeding, the Respondents and any covered persons (as noted below) will become disqualified with regard to offerings pursuant to Rule 506 of Regulation D under the Securities Act of 1933, as amended (the "Securities Act") ("Rule 506"

¹ The Respondents currently are indirect subsidiaries of AIG that sit six levels below AIG. The Respondents are direct subsidiaries of the AIG Advisor Group, Inc. (the "AIG Advisor Group"), a holding company that sits five levels below AIG. Woodbury Financial Services, Inc., which is not a Respondent, also is a direct subsidiary of the AIG Advisor Group. AIG announced on January 26, 2016 that it has agreed to sell AIG Advisor Group to investment funds affiliated with Lightyear Capital LLC and PSP Investments. The transaction is expected to close in the second quarter of 2016, subject to regulatory approvals. *See* <http://www.businesswire.com/news/home/20160126005738/en/>.

or “Regulation D”), if the Commission does not waive this disqualification when it issues its final order (the “Order”).

The Commission has the authority to waive the Rule 506 disqualification upon a showing of good cause that it is not necessary under the circumstances that an exemption be denied. Therefore, the Respondents hereby respectfully request, for the reasons described below, that the Commission (or the Director of the Division of Corporation Finance (“Division”), pursuant to the delegation of authority of the Commission) waive any disqualifications from relying on the exemptions under Rule 506 that may be applicable as a result of the entry of the Commission’s Order against the Respondents. This is the first request by either AIG or the Respondents for a waiver of the Regulation D exemption disqualification.

1. Background

The Respondents have engaged in settlement discussions with the staff of the Division of Enforcement (the “Division of Enforcement”) and, as a result of these discussions, the Respondents have submitted an offer of settlement pursuant to which each of the Respondents has consented to an Order of the Commission. Under the terms of the offer of settlement, the Respondents have neither admitted nor denied any of the findings that will be in the Order, except as to jurisdiction and subject matter.

The Order will describe violations of the Investment Advisers Act of 1940 (the “IAA”) that the Order will state occurred from 2012 to 2014 that resulted from the Respondents investing certain advisory clients in mutual fund share classes with 12b-1 fees when lower-fee share classes of the same funds were available without such 12b-1 fees, and failing to disclose in the Form ADVs of each Firm or otherwise that a conflict of interest was present due to a financial incentive to place non-qualified advisory clients in higher fee mutual fund share classes. The Order will state that this lack of disclosure resulted in a breach of the Firms’ fiduciary duties as investment advisers to certain of their respective advisory clients. The Order also will state that the Firms failed to adopt compliance policies governing mutual fund share class selection. The Order will further state that, in violation of the Firms’ own policies and procedures, in the fourth quarter of 2012 and first and second quarters of 2013, the Firms failed to timely monitor advisory accounts for inactivity to ensure that fee-based advisory or “wrap” accounts charging an inclusive fee for advisory and trading costs remained in the best interests of clients that traded infrequently (“inactive accounts”).

The Order will find that the Respondents violated Sections 206(2), 206(4) and 207 of the IAA and Rule 206(4)-7 thereunder. Under the terms of the Order, pursuant to Section 15(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Sections 203(e) and 203(k) of the IAA, the Respondents will be: (1) ordered to cease and desist from committing or causing any violation and any future violations of Sections 206(2), 206(4) and 207 of the IAA and Rule 206(4)-7 thereunder; (2) censured; (3) ordered to pay disgorgement of \$1,956,460, prejudgment interest of \$93,399 and a civil monetary penalty of \$7.5 million; and (4) ordered to

comply with undertakings to retain an independent compliance consultant (the “Independent Consultant”) not unacceptable to the Commission staff. The Independent Consultant will be required to conduct a comprehensive review of the Firms’ compliance policies and procedures required by Section 206(4) of the IAA and Rule 206(4)-7 thereunder, including with regard to mutual fund share class selection and review of inactive accounts, and the Respondents will be required to adopt and implement all recommendations of the Independent Consultant unless a recommendation is considered to be unnecessary, inappropriate or unduly burdensome, in which case the Respondents and the Independent Consultant will have the opportunity to agree to an alternative proposal. In any event, within 90 days after adoption and implementation of all the recommendations, the Respondents will have to certify in writing to the Commission staff and the Independent Consultant that the recommendations have been adopted and are being implemented.²

2. Discussion

Rule 506(d)(1) of Regulation D disqualifies an issuer and certain covered persons (noted below) from relying on the exemptions from Securities Act registration provided by Rule 506 of Regulation D when the issuer and/or such covered persons are, among other things, the subject of an SEC order entered pursuant to Section 15(b) of the Exchange Act or Section 203(e) of the IAA that places limitations on the activities, functions or operations of such person.³ The Order that the Respondents have consented to have entered will be issued pursuant to Section 15(b) of the Exchange Act and Sections 203(e) and 203(k) of the IAA. The Order will also require the Respondents to engage and comply with the recommendations of an Independent Consultant, if any, as described above. As a result, the Order will result in a disqualification of the Respondents under Rule 506.

A disqualification under Regulation D occurs if any of the following “covered persons” is the subject of such an SEC order: the issuer; any predecessor of the issuer; any affiliated issuer; any director, executive officer, other officer participating the offering, general partner or managing member of the issuer; any beneficial owner of 20% or more of the issuer’s outstanding voting equity securities, calculated on the basis of voting power; any promoter connected with the issuer in any capacity at the time of such sale; any person that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with such sale of securities; any general partner or managing member of any solicitor; or any director, executive officer or other officer of solicitor or general partner or managing member of such solicitor participating in the offering. In addition, any investment manager of an issuer that is a pooled investment fund

² The Independent Consultant contemplated in the Order will not begin work until after the first quarter of 2016 so as to permit the Respondents to fully implement these policy changes, for both the share class and inactive issue, thus giving the Independent Consultant a real opportunity to determine the effectiveness of these new procedures.

³ See Rule 506(d)(1)(iv)(B).

that is the subject of such an SEC order would result in the issuer's disqualification under Rule 506(d)(1) absent a waiver.

The Commission may waive the Regulation D disqualification upon a showing of good cause that it is not necessary under the circumstances that the exemptions be denied.

In its statement regarding Waivers of Disqualification under Regulation A and Rules 505 and 506 of Regulation D (the "Statement"),⁴ the Division, in its evaluation of whether a party seeking a waiver of the Regulation D disqualification has shown good cause, considers the following factors:

1. The nature of the violation or conviction and whether it involved the offer and sale of securities;
2. Whether the conduct involved a criminal conviction or scienter-based violation, as opposed to a civil or administrative non-scienter-based violation;
3. Who was responsible for, and what was the duration of, the misconduct;
4. What remedial steps have been taken; and
5. What the impact will be if the waiver request is denied.

The Statement also addresses the issuer's burden to show good cause. Notably, the Division states that where there is a criminal conviction or a scienter-based violation involving the offer and sale of securities, the burden on the party seeking the waiver to show good cause that a waiver is justified would be significantly greater.

The Respondents believe that, in this case, each of them clearly satisfies the requirements for establishing good cause under the factors discussed in the Statement. For these and the other reasons described in detail below, the Respondents respectfully request that the Commission waive any disqualification under Regulation D that could result when the Commission enters the Order.

a. The Violations Did Not Involve the Offer or Sale of Securities

The Order does not state that Respondents' actions involved the offer or sale of securities. The violations of the IAA to be described in the Order, as noted above, relate to inadequate disclosure concerning mutual fund share class selection, together with a related compliance deficiency, and a failure to implement policies and procedures requiring monitoring of inactive accounts. The

⁴ <http://www.sec.gov/divisions/corpfin/guidance/disqualification-waivers.shtml> (Mar. 13, 2015).

other violations to be described in the Order relate generally to compliance matters, as noted above.

b. The Conduct Described in the Order Does Not Involve Scienier-Based Fraud and Will Not Result in a Criminal Conviction

The Order will not state that any of the Respondents engaged in any conduct resulting in a scienier-based violation of the federal securities laws. Rather, the stated violations of Section 206(2) and Section 206(4) of the IAA are violations of non-scienter-based antifraud provisions. Furthermore, the violations to be described in the Order will not give rise to or constitute a criminal conviction.

c. The Responsibility for and Duration of the Violations Described in the Order

The Order will state that the Respondents' violations relating to mutual fund share class selection issues occurred during a three-year period, 2012 through 2014.

While the stated violations occurred over a three-year period, with respect to the mutual fund share class selection issues, and over a period of three fiscal quarters with respect to the inactive accounts issue, the Respondents' violations of provisions of the IAA described in the Order were limited to these two areas of the Respondents' business and disclosures. The Respondents have since then undertaken significant efforts, and continue to take steps, designed to ensure that problems will not recur, as discussed in the next section of this letter.

The three individuals employed by the Respondents who directly managed the issues that gave rise to the described violations are no longer employed at any entity within AIG, including but not limited to the Respondents. The individual directly responsible for disclosures related to the mutual fund share class selection issue described in the Order was not a senior officer, but rather a mid-level employee. As for the inactive account issue, the Order will state that the Respondents failed to monitor advisory accounts for inactivity on a timely basis over three quarters in 2012 and 2013. During these periods, a senior employee and mid-level employee were responsible for directly managing the issue. Early in these periods, the senior employee departed the organization. If, at the time of his departure, others had been made aware of the problem, the lapse likely could have been readily resolved. However, the lapse continued and it was not until the departure of the mid-level employee, several months later, that Respondents learned that the reviews had not been timely conducted.

d. Remedial Steps Taken and to Be Taken

The Order will state that the violations at issue were first identified in connection with cycle examinations of the Respondents conducted by the Commission's Office of Compliance Inspections and Examinations ("OCIE") in 2013 and 2014. In late 2014, certain issues were referred by OCIE to the Division of Enforcement for further investigation. Throughout this period, the Respondents worked to remedy all OCIE-identified examination deficiencies,

reporting on their work, progress and remedial measures to the Division of Enforcement. In this regard, the Order will state that the remedial acts taken by the Respondents, as well as their cooperation with the Commission staff, were relevant to the Commission's determination to accept the Respondents' offer of settlement.

More specifically, to address the violations described in the Order the Respondents have taken the following actions:

(i) Mutual Fund Share Class Selection

The Order will state that the mutual fund share class selection violations resulted from gaps in disclosure regarding a conflict of interest in selecting mutual fund share classes due to a financial incentive to place non-qualified advisory clients in higher-fee share classes over lower-fee share classes of the same mutual fund, as none of the Firms' Form ADVs, client services agreements or any other account documentation included such disclosures about mutual fund share class selection.

To address these issues, the Respondents have implemented new policies and procedures related to mutual fund share class selection, which will be fully effective in the first quarter of 2016 expanding the number of lower cost share classes of mutual funds available to advisory clients, providing mandatory training and voluntary supplemental training on share class selection to the Respondents' representatives, and requiring the rebating of 12b-1 fees to all advisory clients going forward. The training on this issue already has begun and the new policy of rebating 12b-1 fees to all advisory clients has been announced and publicized internally throughout the Respondents, including to the financial advisors and their supervisors, for purposes of communicating and implementing compliance with the new policy.

In addition, the Firms already revised their Form ADV disclosures and added disclosure to other account documentation specifically addressing mutual fund share class selection to include the following statement:

Mutual funds generally offer multiple share classes available for investment based upon certain eligibility and/or purchase requirements. For instance, in addition to the more commonly offered retail share classes (typically, Class A, B and C shares), mutual funds may also offer institutional share classes and other share classes that are specifically designed for purchase in an account enrolled in fee-based investment advisory programs. Institutional share classes or classes of shares designed for purchase in an investment advisory program usually have a lower expense ratio than other share classes. Clients should not assume that they will be invested in the share class with the lowest possible expense ratio.

Your Advisory Representative's assessment of the appropriate share class is based on a range of different considerations, including but not limited to: the asset-based advisory fee that is charged; whether transaction charges are applied to the purchase or sale of mutual funds; the overall cost structure of the advisory program; operational considerations associated with accessing or offering particular share classes (including the presence of selling agreements with the mutual fund sponsors and the ability to access particular share classes through the custodian); share class eligibility requirements; and the availability of revenue sharing, distribution fees, shareholder servicing fees or other compensation associated with offering a particular class of shares.

In selecting or recommending particular share classes, Advisory Representatives may (but are not required to) consider the overall profitability of the account or client relationship. Accordingly, the advisory fees that are charged on an account basis or in the aggregate at the relationship level may take into consideration the mutual fund share classes in which the clients are invested. Clients that are invested in institutional share classes may have higher advisory fees. Similarly, clients that are invested in retail share classes may be charged lower advisory fees or may receive 12b-1 rebates or other fee offsets designed to minimize the impact of being invested in a more expensive share class. Please contact your Advisory Representative for more information about share class eligibility.

The Firms will make additional changes to their Form ADVs to reflect the new policies and procedures described above, as they are implemented. The new policies and procedures will be fully effective in the first quarter of 2016.

Finally, in recognition of the benefits that the Firms gained through the receipt of 12b-1 fees when clients were placed in higher-fee mutual funds, the Firms will pay disgorgement of \$1,956,460 and prejudgment interest of \$93,399 to the general fund of the United States Treasury, pursuant to the Order.

(ii) Inactive Accounts

To address the failures that will be described in the Order relating to the Firms' process for review of inactive accounts, the Firms already have adopted new policies and procedures to ensure timely and up-to-date reviews of inactive accounts; specifically, effective January 1, 2016, a new policy will become effective that will supplement current supervisory and compliance reviews, and will mandate that individual representatives, as well as their supervisors, review accounts for inactivity at regular, scheduled intervals, based in part on quarterly reports that identify inactive accounts, and implements a time frame for transitioning

inactive accounts to another, more suitable account type. As a result of these additional review procedures, the new policy is intended and expected to result in fewer inactive accounts for Respondents' compliance and surveillance teams to review. The training on this new policy also began immediately following the announcement and publicizing of the new policy throughout the Firms. In addition, the Firms enhanced their Form ADV disclosures relating to the costs of the program in relation to the level of trading in an account. Finally, the Firms have voluntarily determined to repay clients with inactive accounts fees that the clients paid to a Firm covering the period 2011-2013 and will also voluntarily repay fees paid or to be paid forward to the end of 2015, based on reviews to be conducted of accounts in 2015.

(iii) Disgorgement and Voluntary Repayments to Customers

As noted in the Order, the Respondents together have over 5,500 financial advisors in over 2,500 branch offices in the United States and, as of December 31, 2014, managed more than 56,000 advisory accounts with over \$13 billion in assets under management. As of December 31, 2014, the Respondents managed approximately \$9.8 billion in advisor-managed portfolio wrap accounts, including approximately \$6.0 billion in mutual fund investments. As previously noted, in addressing the mutual fund share class selection issues, the Respondents will pay disgorgement and prejudgment interest in the amount of \$2,049,859 (disgorgement of \$1,956,460 and prejudgment interest of \$93,399), which amount represents the 12b-1 fees (which is typically 25 basis points) that the Respondents would not have collected from the lower-fee share classes. In addressing the issue with inactive accounts, the Respondents have voluntarily determined to repay 1,392 clients with inactive account fees for a total of \$739,500 for fees that the clients paid to the Respondents covering the stated misconduct period of 2011-2013.

(iv) Independent Consultant

Furthermore, as noted above, the Order will require the Respondents to retain an Independent Consultant not unacceptable to the Commission staff, which will be required to conduct a comprehensive review of the Firms' compliance policies and procedures required by Section 206(4) of the IAA and Rule 206(4)-7 thereunder, including with regard to mutual fund share class selection and review of inactive accounts.

e. Impact If the Waiver Is Denied

Disqualification of Respondents under Regulation D would have an immediate and ongoing adverse effect on each Firm, and each Firm's clients. Between January 1, 2014 and December 31, 2014 ("FY 2014"), the four entities in the AIG Advisor Group, namely the Respondents and Woodbury Financial Services, Inc., together participated in Regulation D offerings by 15 issuers, raising approximately \$60.8 million.⁵ In the first three quarters of the calendar year ending

⁵ The FY 2014 offerings are broken down as follows: FSC Securities Corporation participated in 7 offerings raising approximately \$7.8 million; Royal Alliance Associates, Inc. participated in 9 offerings

December 31, 2015, the AIG Advisor Group participated in Regulation D offerings for 16 issuers raising approximately \$41.3 million.⁶ In the fourth quarter of 2015, AIG Advisor Group continued to offer to eligible clients and make available for purchase the securities of 9 of the issuers (private funds still open for investment) the securities of which were offered in the first three quarters of 2015. In addition, in the fourth quarter of 2015 AIG Advisor Group added 6 new private funds to the funds available for investment by eligible clients in reliance on Regulation D.⁷

f. Disclosure in the Event a Waiver Is Granted

In the event that the Commission (or the Director of the Division, pursuant to delegated authority) grants the waiver requested by this letter, each Respondent, for a period of five years from the date of the Order, will furnish (or will cause to be furnished) to each purchaser purchasing through or from that Respondent in a Regulation D offering that would otherwise be subject to the disqualification under Rule 506(d) as a result of the Order a description in writing of the Order a reasonable time prior to such sale.

3. Request for Waiver

For the foregoing reasons, AIG and the Respondents respectfully submit that a disqualification is not necessary under the circumstances and that the Respondents have shown that good cause exists for the relief requested. Furthermore, because the alleged conduct at issue in this matter in no way relates to any activities in reliance on Regulation D, granting a waiver in this instance would be consistent with the public interest and the protection of investors.

We therefore respectfully request that the Commission (or the Director of the Division, pursuant to delegated authority) make a determination to waive, pursuant to Rule 506, the disqualification provisions under Rule 506 to the extent such disqualification provisions may be applicable as a result of the entry of the Order by the Commission.

raising approximately \$13.3 million; SagePoint Financial, Inc. participated in 10 offerings raising approximately \$15.1 million; and Woodbury Financial Services, Inc. participated in 6 offerings raising approximately \$24.9 million.

⁶ The breakdown for January 1, 2015 - September 30, 2015 sales is as follows: FSC Securities Corporation participated in 9 offerings raising approximately \$6.3 million; Royal Alliance Associates, Inc. participated in 9 offerings raising approximately \$22.8 million; SagePoint Financial, Inc. participated in 9 offerings raising approximately \$8.8 million; and Woodbury Financial Services, Inc. participated in 7 offerings raising approximately \$3.3 million.

⁷ In addition, the Respondents and Woodbury Financial Services, Inc. currently are conducting due diligence on at least two additional issuers to determine whether to begin participating in offerings pursuant to Regulation D of these issuers' securities.

Eun Ah Choi
March 8, 2016
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Please do not hesitate to contact me at 202-739-5746 with any questions regarding this request.

Sincerely,



Amy Natterson Kroll

ANK

c: Amy Greer, Morgan, Lewis & Bockius LLP
Panayiota K. Bougiamas, Division of Enforcement, New York Regional Office .