

SECURITIES AND EXCHANGE COMMISSION

[Release No. IC - 27931; 812-13259]

American International Group, Inc., et al.; Temporary Order and Notice of Application

August 20, 2007

Agency: Securities and Exchange Commission (“Commission”).

Action: Temporary order and notice of application for a permanent order under section 9(c) of the Investment Company Act of 1940 (“Act”).

Summary of Application: Applicants have received a temporary order exempting them from section 9(a) of the Act, with respect to an injunction entered against American International Group, Inc. (“AIG”) on February 17, 2006 by the United States District Court for the Southern District of New York (“Injunction”), from August 20, 2007, until the Commission takes final action on an application for a permanent order. Applicants also have applied for a permanent order.

Applicants: AIG, AIG Annuity Life Insurance Corporation (“AIG Annuity”), AIG Annuity Insurance Company (“AIG Annuity”), AIG Equity Sales Corp. (“AIG Equity”), AIG Global Investment Corp. (“AIGGIC”), AIG Life Insurance Company (“AIG Life”), AIG SunAmerica Asset Management Corp. (“SunAmerica Asset Management”), AIG SunAmerica Capital Services, Inc. (“SunAmerica Capital”), AIG SunAmerica Life Assurance Company (“ASLAC”), American General Distributors, Inc. (“AM Distributors”), American General Equity Services Corp. (“AM Equity”), American General Life Insurance Company (“AM Life”), American International Life Assurance Company of New York (“AILAC”), Brazos Capital Management, L.P. (“Brazos”), First SunAmerica Life Insurance Company (“First SunAmerica”), The United

States Life Insurance Company in the City of New York (“US Life”), and The Variable Annuity Life Insurance Company (“VALIC”) (collectively, “Applicants”).<sup>1</sup>

Filing Dates: The application was filed on February 10, 2006, and amended on August 16, 2007.

Hearing or Notification of Hearing: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission’s Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on September 14, 2007, and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer’s interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission’s Secretary.

Addresses: Secretary, U.S. Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090; Applicants c/o Anastasia Kelly, American International Group, Inc., 70 Pine Street, New York, New York 10270.

For Further Information Contact: Julia Kim Gilmer, Branch Chief, at 202-551-6871 or Nadya B. Roytblat, Assistant Director, at 202-551-6821 (Division of Investment Management, Office of Investment Company Regulation).

Supplementary Information: The following is a summary of the application. The complete application may be obtained for a fee at the Commission’s Public Reference Branch, 100 F Street, NE, Washington, DC 20549-0102 (tel. 202-551-5850).

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<sup>1</sup> Applicants request that any relief granted pursuant to the application also apply to any other company of which AIG is or may become an affiliated person (included in the defined term “Applicants”).

Applicants' Representations:

1. AIG, through its subsidiaries, offers property and casualty and life insurance products to commercial, institutional and individual customers worldwide. AIG's global businesses also include financial services and asset management. The other Applicants are wholly owned subsidiaries of AIG. AIGGIC, SunAmerica Asset Management, Brazos, and VALIC are investment advisers registered under the Investment Advisers Act of 1940 ("Advisers Act") and serve as investment adviser or subadviser ("Adviser Applicants") to certain registered investment companies ("Funds"). AIG Equity, SunAmerica Capital, AM Distributors, and AM Equity are broker-dealers registered under the Securities Exchange Act of 1934 ("Exchange Act") and serve as a principal underwriter to open-end Funds and Funds that are unit investment trusts ("UITs"). AIG Annuity, AIG Life, ASLAC, AM Life, AILAC, First SunAmerica and US Life serve as depositors to various Funds.

2. On February 17, 2006, the United States District Court for the Southern District of New York entered the Injunction against AIG in a matter brought by the Commission.<sup>2</sup> The Commission alleged in the complaint ("Complaint") that AIG violated sections 10(b), 13(a), 13(b)(2) and 13(b)(5) of the Exchange Act and rules 10b-5, 12b-20, 13a-1, 13a-13 and 13b2-1 thereunder, and section 17(a) of the Securities Act of 1933, by making intentionally misleading statements in its financial statements ("Conduct"). Without admitting or denying any of the allegations in the Complaint, except as to jurisdiction, AIG consented to the entry of the Injunction and to pay penalties and disgorgement of \$800 million.<sup>3</sup>

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<sup>2</sup> Securities and Exchange Commission v. American International Group, Inc., 06 Civ. 1000 (LAP) (S.D.N.Y., filed Feb. 17, 2006).

<sup>3</sup> AIG also agreed to comply with certain undertakings relating to its internal controls over financial reporting; the organization and reporting structure of AIG's internal audit department and disclosure committee; the policies, procedures and effectiveness of AIG's regulatory,

Applicants' Legal Analysis:

1. Section 9(a)(2) of the Act, in relevant part, prohibits a person who has been enjoined from engaging in or continuing any conduct or practice in connection with the purchase or sale of a security from acting, among other things, as an investment adviser or depositor of any registered investment company or a principal underwriter for any registered open-end investment company, registered unit investment trust, or registered face-amount certificate company. Section 9(a)(3) of the Act makes the prohibition in section 9(a)(2) applicable to a company, any affiliated person of which has been disqualified under the provisions of section 9(a)(2). Section 2(a)(3) of the Act defines "affiliated person" to include any person directly or indirectly controlling, controlled by, or under common control, with the other person.

Applicants state that AIG is an affiliated person of each of the other Applicants within the meaning of section 2(a)(3). Applicants state that, as a result of the Injunction, they would be subject to the prohibitions of section 9(a).

2. Section 9(c) of the Act provides that the Commission shall grant an application for an exemption from the disqualification provisions of section 9(a) of the Act if it is established that these provisions, as applied to Applicants, are unduly or disproportionately severe or that the conduct of the Applicants has been such as not to make it against the public interest or the protection of investors to grant the exemption. Applicants have filed an application pursuant to section 9(c) seeking a temporary and permanent order exempting them from the disqualification provisions of section 9(a).<sup>4</sup>

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compliance and legal functions; AIG's records management and retention policies and procedures; and AIG's whistleblower procedures.

<sup>4</sup> Applicants have received orders granting a temporary exemption from section 9(a) of the Act with respect to the Injunction until August 21, 2007. Investment Company Act Release Nos. 27227 (Feb. 21, 2006) (granting a temporary exemption until August 21, 2006); 27446 (Aug. 18,

3. Applicants believe that they meet the standards for exemption specified in section 9(c). Applicants state that the prohibitions of section 9(a) as applied to them would be unduly and disproportionately severe and that it would not be against the public interest or the protection of investors to grant the requested exemption from section 9(a). The Conduct did not involve any of the Applicants acting in the capacity of investment adviser, subadviser, depositor or principal underwriter for any Fund. Applicants state that with the exception of index Funds, none of the Funds advised by the Adviser Applicants holds any securities issued by AIG.

4. Applicants state that their inability to continue to provide advisory and underwriting services to the Funds and to serve as depositor to Funds would result in potentially severe hardships for the Funds and their shareholders. Applicants also state that they have distributed written materials, including an offer to meet in person to discuss the materials, to the boards of directors of the Funds (the "Boards"), including the directors who are not "interested persons," as defined in section 2(a)(19) of the Act, of such Funds, and their independent legal counsel as defined in rule 0-1(a)(6) under the Act, if any, regarding the Injunction, any impact on the Funds, and the application. Applicants state that they have provided the Boards with all information concerning the Injunction and the application that is necessary for the Funds to fulfill their disclosure and other obligations under the federal securities laws.

5. Applicants also state that, if they were barred from providing services to the Funds, the effect on their businesses and employees would be severe. Applicants state that they have committed substantial resources to establish an expertise in advising, subadvising, and distributing the Funds, and acting as a depositor to Funds. Applicants further state that prohibiting them from providing advisory and distribution services to the Funds would adversely

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2006) (extending the temporary exemption to February 16, 2007); 27700 (Feb. 16, 2007) (extending the temporary exemption to August 21, 2007).

affect not only the viability of their businesses, but also the livelihoods of their employees.

Applicants state that they have previously received one order under section 9(c) of the Act.<sup>5</sup>

Applicants' Condition:

Applicants agree that any order granting the requested relief will be subject to the following condition:

Any temporary exemption granted pursuant to the application shall be without prejudice to, and shall not limit the Commission's rights in any manner with respect to, any Commission investigation of, or administrative proceedings involving or against, the Applicants, including without limitation, the consideration by the Commission of a permanent exemption from section 9(a) of the Act requested pursuant to the application, or the revocation or removal of any temporary exemptions granted under the Act in connection with the application.

Temporary Order:

The Commission has considered the matter and finds that Applicants have made the necessary showing to justify granting a temporary exemption.

Accordingly,

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<sup>5</sup> AIG Annuity Life Insurance Company, et al., Investment Company Act Release Nos. 26690 (Dec. 8, 2004) (notice) and 26718 (Jan. 4, 2005) (order).

IT IS HEREBY ORDERED, pursuant to section 9(c) of the Act, that Applicants are granted a temporary exemption from the provisions of section 9(a), solely with respect to the Injunction, subject to the condition in the application, from August 20, 2007, until the Commission takes final action on their application for a permanent order.

By the Commission.

Florence E. Harmon  
Deputy Secretary