

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)
)
NEXT FINANCIAL GROUP, INC.)
)
RESPONDENTS)

ADMINISTRATIVE ORDER
NO. C0-2012-0032

CONSENT ORDER

The Alabama Securities Commission ("Commission"), having the authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, and having confirmed information of the offers for sale and/or sale of securities, into, within or from the state of Alabama, has determined as follows:

RESPONDENT

1. NEXT FINANCIAL GROUP, INC. ("NEXT"), Central Registration Depository ("CRD") #46214, is a Texas domiciled broker dealer with a business address of 2500 Wilcrest Drive, Suite 620, Houston, Texas 77042. Commission records reflect that NEXT is currently registered as a broker dealer in the state of Alabama effective July 14, 1999. Commission records reflect that NEXT notice filed as an Investment Adviser in the State of Alabama effective May 15, 2000.

STATEMENT OF FACTS

2. On February 2, 2007, Stephen Williams, CRD#2395948, was registered as a broker dealer agent with NEXT in the State of Alabama. On February 25, 2005, Stephen Williams was registered as an investment adviser with LifecourseCapital, Inc. in the State of Alabama. On November 11, 2010, NEXT submitted Form U-5 for partial broker dealer agent registration termination, including termination in the state of Alabama, effective December 31, 2010.

3. On December 14, 2011, NEXT submitted an electronic filing for Stephen

Williams, via FINRA maintained CRD, for registration as a broker dealer agent in the state of Alabama.

4. On January 25, 2012, Ami Shah, General Counsel for NEXT spoke with a member of the Commission staff via telephone regarding the pending broker dealer agent application for Stephen Williams. She requested that the Commission go ahead and register Mr. Williams. She advised that Mr. Williams should not have been terminated and that it was an error by the firm. Ms. Shah also stated that a firm audit had been conducted and that Mr. Williams may have possibly been effecting securities transactions on behalf of Alabama residents during the time he was not registered. On January 25, 2012, the Commission staff issued a deficiency letter to Robert Schlangen with NEXT, the contact for the filing, requesting information concerning Mr. Williams' disciplinary history. Additionally, NEXT was advised that effecting securities transactions without benefit of registration was unlawful. Additionally, an email was issued to Mr. Schlangen and Ms. Shah requesting that NEXT provide all securities transactions effected on behalf of Alabama clients by Stephen Williams for the time period December 31, 2010 to the present.

5. On January 26, 2012, NEXT submitted a response including a spreadsheet detailing 3,148 securities transactions effected by NEXT on behalf of four Alabama clients from January 3, 2011 through January 26, 2012. Commissions paid to Mr. Williams during this time were \$120,448.42 and commissions of \$10,252.11 were paid to the firm. The response included a statement that Mr. Williams had been advised to cease effecting securities transactions. Ms. Shah contacted the Commission staff via telephone this day inquiring as to the pending registration for Mr. Williams. A return call was placed to Ms. Shah by a Commission staff member advising that registration was not available until a review had been conducted of the additional information. On January 27, 2012, Lauren Gavulic with NEXT telephoned the Commission staff concerning the pending registration of Mr. Williams. She advised that termination of Mr. Williams' registration was the firm's fault and that the Commission should consider registering Mr. Williams. Mr. Williams contacted the Commission staff and advised that he was unaware that NEXT had terminated his previous broker dealer agent registration until he was notified of this fact on January 25, 2012. On January 30, 2012, Ms. Shah contacted the Commission staff concerning the pending

application and was advised by the Securities Registration Manager that the staff was reviewing the submitted information and that registration was not available at this time. The Manager requested that Ms. Shah submit a copy of the policies and procedures that had been enacted to prevent further violations of this nature.

6. On February 1, 2012, Ms. Shah provided, via email, the steps NEXT had taken as a result of Mr. Williams' registration termination by the firm. She advised that a new Licensing Supervisor had been hired and that the firm had conducted a two-day training with the Licensing Analysts to ensure that they understand the use of the FINRA CRD system. Additional changes had been made to ensure that future violations of this nature do not occur. Ms. Shah again asked that the registration application for Mr. Williams be approved or that the Commission consider a conditional registration so that Mr. Williams could continue to service his Alabama clients.

7. On February 1, 2012, the Commission's Registration Manager spoke with Ms. Shah via telephone and followed up with an email advising that the Commission staff will allow Mr. Williams and NEXT to effect securities transactions on behalf of existing Alabama clients of Mr. Williams as long as neither the firm nor Mr. Williams received commissions for the securities transactions. Additionally, Mr. Williams may not supervise broker dealer agents until he is properly registered. Ms. Shah was requested to provide a signed statement to the Commission in this regard and their agreement to these terms. In addition, NEXT was requested to provide copies of all account documents to include new account forms, the date the account was opened, place of client residency, change of address form, the date the clients relocated to Alabama, and a detailed spreadsheet of all transactions affected for the Alabama clients. On February 2, 2012, the Commission staff received documents concerning the disciplinary disclosures noted on CRD and requested in the Commission's deficiency letter dated January 25, 2012.

8. On February 3, 2012, the Commission staff received a response, via email, whereby NEXT's General Counsel Ami Shah, and Stephen Williams submitted a signed agreement that NEXT and Stephen Williams would only effect securities transactions for existing Alabama clients of Mr. Williams in order that Mr. Williams' clients would not be

harmful during the time that the Commission and NEXT work through the lapse in registration. The agreement also stipulated that neither Mr. Williams nor NEXT shall receive commissions or other remuneration, either direct or indirect, for effecting securities transactions on behalf of Alabama clients of WILLIAMS. Furthermore, WILLIAMS shall not supervise Alabama broker dealer agents. On February 3, 2012, NEXT advised the Commission staff that the firm received commissions totaling \$10,252.11 and Mr. Williams received commissions totaling \$120,448.42 for effecting securities transactions on behalf of Alabama clients from January 3, 2011 to January 26, 2012.

9. On February 22, 2012, the Commission staff issued an email to Ami Shah, whereby she was requested to provide additional information – specifically, identification of the agents that Mr. Williams supervises and any securities transactions effected by Mr. Williams on behalf of Alabama clients from January 19, 2012 to the present.

10. On March 23, 2012, NEXT submitted documents to the Commission staff, via email, that reflected that commissions of \$4,731.54 had been earned by Mr. Williams and was on hold for the time frame January 26, 2012 to February 21, 2012. The response also included a list of four broker dealer agents that Mr. Williams supervises with overrides of \$4,862.00 from January 12, 2012 to February 23, 2012. Ms. Shah explained that these individuals have been assigned to Mr. Williams' supervisory principal.

CONCLUSIONS OF LAW

11. Pursuant to Code of Alabama, 1975, § 8-6-2(3), a Dealer is any person engaged in the business of effecting transactions in securities for the account of others. NEXT FINANCIAL GROUP, INC. is in the business of effecting securities transactions for the accounts of its clients and is a Dealer under the statutory definition thereof.

12. Pursuant to Code of Alabama, 1975, § 8-6-3(a) it is unlawful for any person to transact securities business in the State of Alabama as a dealer or agent for securities unless properly registered under the Act. As a broker dealer agent of NEXT FINANCIAL GROUP, INC., STEPHEN J. WILLIAMS effected securities transactions on behalf of Alabama

investors from January 3, 2011 to January 26, 2012 without benefit of broker dealer agent registration in the State of Alabama in violation of Code of Alabama 1975, § 8-6-3(a).

WHEREAS, RESPONDENT admits that securities transactions were effected on behalf of Alabama residents by Mr. Williams without benefit of registration and states that the information and assertions presented to the Commission during its investigation of this matter are true and correct; that RESPONDENT understands the Commission relied upon such information and assertions in its determination to accept this Order, and that should information or assertions prove to be incorrect or misrepresented, the Commission may seek such other administrative, civil or criminal remedies that may be available to it under the provisions of the Act.

WHEREAS, RESPONDENT has voluntarily waived all rights to a hearing upon entry of this Order, and have consented to the entry of this Order, and

WHEREAS, the Commission finds this Order necessary and appropriate in the public interest for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act, and

WHEREAS, the Commission and RESPONDENT are desirous of settling this matter as hereafter set forth and agree to the entry of this Order.

WHEREAS, this Order is specifically limited to the relevant time period noted in the statement of fact section and does not address any other time period where similar activity may have been conducted.

ACCORDINGLY, IT IS HEREBY ORDERED:

1. That NEXT FINANCIAL GROUP, INC shall, until such time as Stephen Williams is properly registered in the state of Alabama, refrain from effecting securities transactions into, within or from the state of Alabama through Stephen Williams without prior permission of the Commission.

2. That NEXT FINANCIAL GROUP, INC. shall provide training to all employees to ensure that all securities transactions are made by registered persons in compliance with state laws.

3. That NEXT FINANCIAL GROUP, INC. shall ensure that proper procedures are enacted to preclude any future non-compliance with the Act, a copy of which is to be submitted to the Commission simultaneously with this executed Order.

4. That in accordance with Section 8-6-19(k)(1), Code of Alabama 1975, NEXT FINANCIAL GROUP, INC. shall pay to the **Alabama Securities Commission**, as partial reimbursement for the Commission's cost for investigating this matter, the sum of \$50,000.00, said funds to be tendered in certified funds contemporaneously with the entry of this Order.

5. That in accordance with Section 8-6-19(j)(1), Code of Alabama 1975, NEXT FINANCIAL GROUP, INC. shall pay to the **State of Alabama** an administrative assessment in the total sum of \$10,000.00, representing partial disgorgement of commissions received by Mr. Williams and NEXT while Mr. Williams was not registered, said funds to be tendered in certified funds contemporaneously with the entry of this Order.

NEXT FINANCIAL GROUP, INC.


BARRY G KNIGHT,
President, CEO

9/18/12
DATE

APPROVED AND AGREED this 3rd day of October, 2012

ALABAMA SECURITIES COMMISSION
401 Adams Avenue, Suite 280
Montgomery, AL 36130-4700

BY:


JOSEPH P. BORG
-Director

Edwin L. Reed
Deputy Director

10/3/12
DATE

