

JOHN MORGAN  
SECURITIES COMMISSIONER



RONAK V. PATEL  
DEPUTY SECURITIES COMMISSIONER

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## Texas State Securities Board

208 E. 10th Street, 5th Floor  
Austin, Texas 78701-2407  
www.ssb.state.tx.us

BETH ANN BLACKWOOD  
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DERRICK MITCHELL  
MEMBER

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MEMBER

DAVID A. APPLEBY  
MEMBER

ALAN WALDROP  
MEMBER

IN THE MATTER OF  
THE DEALER REGISTRATION OF  
WFG INVESTMENTS, INC.

§  
§  
§

**Order No. IC15-CAF-03**

TO: David Williams, President  
WFG Investments, Inc. (CRD #22704)  
2711 N Haskell Ave  
Dallas, TX 75204

### DISCIPLINARY ORDER

Be it remembered that WFG Investments, Inc. ("Respondent") appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order") and the Findings of Fact and Conclusions of Law contained herein.

### FINDINGS OF FACT

1. Respondent has waived (a) Respondent's rights to notice and hearing in this matter; (b) Respondent's rights to appear and present evidence in this matter; (c) Respondent's rights to appeal this Order; and (d) all other procedural rights granted to the Respondent by The Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1 to 581-43 (West 2010 & Supp. 2014)("Texas Securities Act"), and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001 to 2001.902 (West 2008 & Supp. 2014)("Administrative Procedure Act").
2. On July 15, 1988, Respondent registered with the Securities Commissioner as a dealer. This registration is currently effective.

### Alternative Investments

3. Respondent sells private placement offerings and shares of non-traded REITs and Business Development Companies. Respondent refers to these products as "alternative investments."

4. The alternative investments are sold pursuant to selling agreements between Respondent and the product sponsors. As such, Respondent receives a commission in connection with each sale.
5. Respondent shares the commission it receives from the sale of an alternative investment with the registered agent that participated in the sale.
6. Respondent has established written supervisory procedures specifically relating to sales of alternative investments (the "AI Manual").
7. Notably, in order to monitor for suitability, the AI Manual requires heightened supervision of the sale of an alternative investment when a concentration limit is exceeded in a customer's account.
8. Certain agents (the "Agents") of Respondent who sold alternative investments were dually registered with an unaffiliated investment adviser (the "Adviser").
9. From 2009 through 2013, Respondent regarded the sales of alternative investments by the Agents as activity of the Adviser and therefore did not review these sales to determine whether a sale was in excess of the concentration guideline.
10. As a result, Respondent did not enforce the heightened supervisory requirement in connection with multiple sales by the Agents whereby the sale caused certain customer's alternative investment holdings to exceed the concentration limit.
11. Yet, the Agents shared in the commissions that Respondent received in connection with the sales.
12. Respondent did not enforce its procedures within the AI Manual regarding sales of alternative investments.

#### *The OTC Equity*

13. From 2011 through 2012, the Agents made recommendations that customers purchase shares of stock in a company (the "Company").
14. Publicly traded shares of the Company are quoted on the Over the Counter Bulletin Board but are not listed on any securities exchange. As such, these shares are considered "OTC Equity" securities.

15. Pursuant to Respondent's written supervisory procedures, prior to approving a recommendation that a customer purchase an OTC Equity, a Designated Principal must conduct a review of current financial statements and material business information of the OTC Equity and make a determination that there is a reasonable basis for making the recommendation.
16. Respondent did not conduct any review of the Company because Respondent regarded the Agents' trading activity related to the Company as activity of the Adviser.
17. However, the Agents recommended that customers purchase shares of the Company through Respondent, and the Agents and Respondent shared in commissions generated by these sales.
18. Respondent did not enforce its procedures related to OTC Equity securities.
19. Pursuant to §115.10(b)(1) of the Rules and Regulations of the State Securities Board (the "Board Rules"), a dealer shall establish, maintain, and enforce written procedures to supervise the activities of its agents that are reasonably designed to achieve compliance with applicable securities laws.

#### CONCLUSIONS OF LAW

1. Respondent's failures to enforce its written supervisory procedures related to the sales of alternative investments constitute violations of §115.10(b)(1) of the Board Rules.
2. Respondent's failures to enforce its written supervisory procedures related to the sales of shares of an OTC Equity constitute violations of §115.10(b)(1) of the Board Rules.
3. Pursuant to Section 14.A(6) of the Texas Securities Act, the aforementioned violations of a Board Rule constitute bases for the issuance of an Order reprimanding Respondent.
4. Pursuant to Section 23-1 of the Texas Securities Act, the aforementioned violations of a Board Rule constitute bases for the assessment of an administrative fine against Respondent.

ORDER

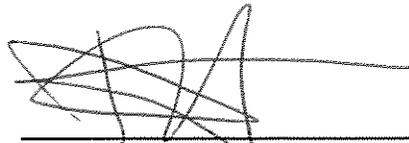
1. It is therefore ORDERED that WFG Investments, Inc. is hereby REPRIMANDED.
2. It is further ORDERED that WFG Investments, Inc. shall pay an ADMINISTRATIVE FINE in the amount of One Hundred and Seventy-Five Thousand Dollars (\$175,000.00) to the general fund of the State of Texas within ten (10) days of the entry of this Order.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 3rd  
day of September, 2015.



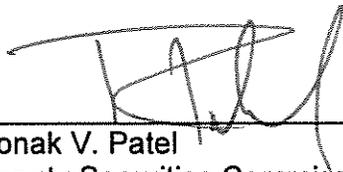
JOHN MORGAN  
Securities Commissioner

WFG Investments, Inc.

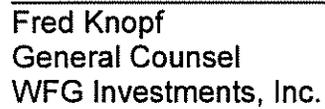


By: David Williams  
President

Approved as to Form:



Ronak V. Patel  
Deputy Securities Commissioner



Fred Knopf  
General Counsel  
WFG Investments, Inc.



Clinton T. Edgar  
Attorney  
Inspections and Compliance Division

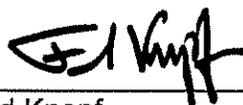
**ACKNOWLEDGMENT**

WFG Investments, Inc.

By: David Williams  
President

Approved as to Form:

Ronak V. Patel  
Deputy Securities Commissioner

  
Fred Knopf  
General Counsel  
WFG Investments, Inc.

Clinton T. Edgar  
Attorney  
Inspections and Compliance Division

**ACKNOWLEDGMENT**

On the 26<sup>th</sup> day of August, 2015, WFG Investments, Inc. ("Respondent"), by and through David Williams, its President, appeared before me, executed the foregoing Order, and acknowledged that:

1. David Williams is duly authorized to enter into the foregoing Order on behalf of Respondent;
2. David Williams has read the foregoing Order;
3. Respondent has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and
5. Respondent, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.

Edith C. Middleton  
Notary Public in and for  
the State of Texas

My commission expires on: 11/8/2016

[affix notary seal here]

