

DENISE VOIGT CRAWFORD
SECURITIES COMMISSIONER

DON A. RASCHKE
DEPUTY SECURITIES COMMISSIONER

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Texas State Securities Board

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IN THE MATTER OF THE DEALER
REGISTRATION OF FLEXVEST
SECURITIES GROUP, INC.

§
§
§

Order No. IC05-CAF-16

TO: Michael Robert Travis, President
FlexVest Securities Group, Inc. (CRD No. 20728)
7111 Cliffbrook Drive
Dallas, Texas 75254

DISCIPLINARY ORDER

Be it remembered that FlexVest Securities Group, Inc. ("Respondent"), by and through, Michael Robert Travis ("Travis"), its President, appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this Order and Undertaking, and, without admitting or denying, the Findings of Fact and Conclusions of Law contained herein, except Findings of Fact one through four which are admitted.

FINDINGS OF FACT

1. Respondent has waived (a) Respondent's right to notice and hearing in this matter; (b) Respondent's right to appear and present evidence in this matter; (c) Respondent's right to appeal this Order; and (d) all other procedural rights granted to Respondent by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2004-2005) ("Texas Securities Act"), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. § 2001.001 et seq. (Vernon 2000 & Supp. 2004-2005) ("Administrative Procedure Act").
2. On or about June 30, 1987, Respondent registered with the Securities Commissioner as a securities dealer, which is currently effective.
3. On or about October 11, 1988, Respondent registered with the Securities Commissioner as an investment adviser. On or about December 31, 2002, Respondent terminated its registration with the Securities Commissioner as an investment adviser.

4. On or about November 13, 1996, Respondent entered into Consent Order No. SUS/FIN/CEN-1152 with the Securities Commissioner for allowing two unregistered agents to engage in securities-related activity prior to their approval with the Securities Commissioner as agents of Respondent.
5. On or about June 8, 1999, the NASD conducted an examination of Respondent and discovered that Respondent had not maintained new account forms as required by NASD Conduct Rule 2310(b). In response to the discovery, Respondent, by and through Travis, represented to the NASD that the errors had been corrected.
6. In or about April, 2000, the United States Securities and Exchange Commission ("SEC") conducted an examination of Respondent and discovered that Respondent had still not maintained new account forms as required by NASD Conduct Rule 2310(b). On or about July 25, 2000, Respondent, by and through legal counsel and in response to the SEC examination, represented to the SEC and the Securities Commissioner that Respondent had reviewed all the new account forms for completeness and that any files with deficiencies had been completed. The actions taken by Respondent in correcting deficiencies found by the SEC is information deemed necessary by the Securities Commissioner to determine a dealer's business repute or qualifications.
7. In or about June, 2001, the Staff of the Texas State Securities Board ("the Staff") conducted an inspection ("2001 Inspection") of Respondent.
8. At the time of the 2001 Inspection, Respondent was in the process of reviewing the new account forms found to be deficient by the SEC for completeness and obtaining the necessary information and signatures, and therefore was maintaining these new account forms in a location other than the client files.
9. On or about May 31, 2001, Robert Lee Waggoner ("Waggoner") registered with the Securities Commissioner as an agent of Respondent. From on or about May 2, 2001, until on or about May 31, 2001, Respondent, by and through Waggoner, offered for sale and sold securities in Texas.
10. From on or about January 21, 1999, to on or about December 1, 2000, Respondent, by and through Travis, operated a hedge fund; a Texas limited partnership known as the FlexVest Select Fund II, Ltd., ("FlexVest Fund") (formerly known as FlexVest Select Fund I, Ltd.)
11. From on or about January 21, 1999, to on or about December 1, 2000, Respondent contacted potential investors and made available for purchase limited partnership interests in the FlexVest Fund.
12. The limited partnership interests in the FlexVest Fund were not registered with the Securities Commissioner by qualification, notification or coordination and no permit was granted for the sale of the limited partnership interests in the State of Texas.

13. Respondent represents that an employee of Respondent, without authorization from the Respondent, placed language on Respondent's website soliciting purchasers for the limited partnership interests in the FlexVest Fund.
14. Securities trading activity in the FlexVest Fund resulted in a substantial loss of the investors' assets placed in the fund.
15. On or about September 7, 1999 and pursuant to § 115.2 of the Rules and Regulations of the Texas State Securities Board ("Board Rules"), Respondent filed a Form U-4 with the Securities Commissioner in connection with the application of Hillari Spector ("Spector") to become registered with the Securities Commissioner as an agent of Respondent.
16. On or about January 1, 2000, registered with the Securities Commissioner as an agent of Respondent. In or about January, 2000, Spector started working at a retail computer store. Respondent did not update Spector's Form U-4 to disclose this employment.
17. The Form U-4 requires the disclosure of all employment held by an agent for the past ten (10) years.
18. Pursuant to § 115.9(a)(6) of the Board Rules [formerly § 115.1(g)(1)(E)], registered dealers are required to disclose to the Securities Commissioner, within thirty (30) days, of any change in information previously disclosed to the Securities Commissioner on any application form or filing, which includes the Form U-4.

UNDERTAKING

1. Respondent undertakes and agrees to provide a copy of this Order to each customer granting discretionary trading authority to Respondent or an agent of Respondent after the date that the Securities Commissioner signs this Order.
2. Respondent further undertakes and agrees to not create, devise, or set-up any investment vehicle(s) that pool investor funds for a period of two (2) years from the date that the Securities Commissioner signs this Order. Respondent further undertakes and agrees to notify the Director of the Inspections and Compliance Division of the Texas State Securities Board within twenty (20) days of creating, devising, or setting-up any investment vehicle that pools investor funds.
3. Respondent further undertakes and agrees to implement procedures designed to ensure that all new account documentation is properly maintained.

CONCLUSIONS OF LAW

1. The limited partnership interests in the FlexVest Fund are limited partnership interests in a limited partnership and are "securities" as the term "securities" is defined in Section 4.A of the Texas Securities Act.

2. Respondent engaged in the offer for sale and sale of the above-described securities, as the terms “offer for sale” and “sale” are defined in Section 4.E of the Texas Securities Act.
3. Respondent’s offer for sale and sale of the above-described securities at a time when the securities were not registered with the Securities Commissioner constitutes a violation of Section 7 of the Texas Securities Act.
4. Waggoner acted as an “agent” of the Respondent as the term “agent” is defined in Section 4.D of the Texas Securities Act.
5. Respondent’s sale of securities through Waggoner in Texas at a time when Waggoner was not registered with the Securities Commissioner as an agent of Respondent constitutes a basis for the issuance of an order reprimanding Respondent, pursuant to Section 14.A(5) of the Texas Securities Act.
6. Respondent’s representation, through legal counsel, to the Securities Commissioner that Respondent had reviewed all of the new account forms for completeness and that any files that had deficiencies had been completed, when it had not, constitutes a material misrepresentation to the Securities Commissioner in connection with information deemed necessary by the Securities Commissioner to determine a dealer’s business repute or qualifications.
7. Respondent’s failure to update Spector’s Form U-4 within thirty (30) days of a change in Spector’s employment history constitutes a violation of § 115.9(a)(6) of the Board Rules [formerly § 115.1(g)(1)(E)].
8. Pursuant to Sections 14.A(5), 14.A(6), and 14.A(7) of the Texas Securities Act, the foregoing violations constitute bases for the issuance of an order reprimanding a dealer.
9. Pursuant to Sections 14.A(5), 14.A(6), and 14.A(7) of the Texas Securities Act, the foregoing violations constitute bases for the issuance of an order suspending a dealer.
10. Pursuant to Section 23-1 of the Texas Securities Act, the foregoing violations of the Texas Securities Act and Board Rules constitute bases for the issuance of an order assessing an administrative fine against a dealer.

ORDER

1. It is therefore ORDERED that FlexVest Securities Group, Inc. is hereby REPRIMANDED.

2. It is therefore ORDERED that FlexVest Securities Group, Inc. is hereby SUSPENDED from soliciting, accepting, or opening any new client accounts for a period of one hundred twenty (120) business days from the date this Order is signed by the Securities Commissioner.
3. It is further ORDERED that FlexVest Securities Group, Inc. is ASSESSED AN ADMINISTRATIVE FINE in the amount of Ten Thousand Dollars (\$10,000.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Ten Thousand Dollars (\$10,000.00), payable to the State of Texas, contemporaneously with the delivery of this Order.
4. It is further ORDERED that FlexVest Securities Group, Inc. COMPLY with the terms of the Undertaking contained herein.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 27th day
of May, 2005.


DENISE VOIGT CRAWFORD
Securities Commissioner

Respondent:

FlexVest Securities Group, Inc.

By: Michael Robert Travis
Michael Robert Travis, President

Approved as to Form:

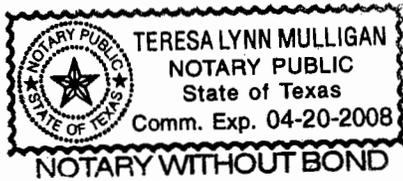
Benette L. Zivley
Benette L. Zivley
Director
Inspections and Compliance Division

C. Mark Stratton
C. Mark Stratton
Henslee, Fowler, Hepworth & Schwartz
Attorney for Respondent

ACKNOWLEDGMENT

On the 27 day of May, 2005, FlexVest Securities Group, Inc. ("Respondent"), by and through, Michael Robert Travis, its President, personally appeared before me, executed the foregoing Order and Undertaking, and acknowledged that:

1. Michael Robert Travis is duly authorized to enter into the foregoing Order and Undertaking on behalf of Respondent;
2. Michael Robert Travis has read the foregoing Order and Undertaking;
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, Undertaking, 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.



[affix notary seal here]

Teresa Lynn Mulligan
Notary Public in and for
the State of Texas

My commission expires on: 4/20/2008