

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF: *

Jonathan Spencer Williams, CRD # 4069029 * Securities Division No. 2016-0217

and *

Mid-Atlantic Financial, LLC *
(formerly Mid-Atlantic Financial *
Management, LLC) *

and *

Jonathan S Williams dba *
Jonathan S Williams Financial Planning *

and *

Jonathan Spencer Williams dba *
Advanced Retirement Solutions *

RESPONDENTS *

* * * * *

FINAL ORDER

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted in section 11-701 of the Maryland Securities Act, Title 11, Corporations and Associations Article, Annotated Code of Maryland (2014 Repl. Vol. and 2017 Supp.) (the "Securities Act"), undertook an investigation into the securities-related activities of Jonathan Spencer Williams (“Williams” or “Respondent Williams”), Mid-Atlantic Financial LLC (formerly, Mid-Atlantic Financial Management, LLC) (“Mid-Atlantic LLC or Respondent Mid-Atlantic LLC”), Jonathan S Williams dba Jonathan S Williams Financial Planning (“JSWFP” or Respondent JSWFP”), and Jonathan Spencer Williams dba Advanced

Retirement Solutions (“JSWARS” or Respondent JSWARS”), (collectively, the “Respondents”);
and

WHEREAS, on the basis of that investigation the Maryland Securities Commissioner (the “Commissioner”) on November 28, 2017 issued an Order to Show Cause requiring the Respondents to show cause why they should not be barred permanently from engaging in the securities and investment advisory business in Maryland and why a statutory penalty of up to \$5,000 per violation should not be entered against them; and

WHEREAS, the Order provided that the failure to file an answer, including a request for a hearing, within fifteen (15) days of service of the Order would result in the entry of a Final Order barring the Respondents from engaging in the securities or investment advisory business in Maryland and imposing on the Respondents a monetary penalty of up to \$5,000 per violation of the Securities Act, and

WHEREAS, the Respondents have failed to file a timely answer to the Order or to make a written request for a hearing; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Final Order;

NOW THEREFORE, pursuant to sections 11-301(2) and (3), 11-302(a)(2) and (3) and (c), 11-401(a) and (b), and 11-402(a) and (b) of the Securities Act, the Commissioner finds and orders:

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding pursuant to section 11-701.1 of the Securities Act.

II. RESPONDENTS

2. At all times relevant to this matter, Jonathan Spencer Williams maintained a place of business and/or residence in Forest Hill, Maryland and Baltimore, MD. Williams is the principal and owner of Mid-Atlantic Financial, LLC, Jonathan S Williams dba Jonathan S Williams Financial Planning, and Jonathan Spencer Williams dba Advanced Retirement Solutions. From February 2006 to April 24, 2015, through an affiliation with NYLIFE Securities LLC, Williams was registered as a registered representative with the Financial Industry Regulatory Authority (“FINRA”) and as a broker-dealer agent with the Division. From July 2006 to April 24, 2015, Williams also was registered as an investment adviser representative with the Division through an affiliation with Eagle Strategies, LLC. Williams was terminated from both firms for “provid[ing] the compan[ies] with bank records that were deemed not genuine based on misspellings and numerous errors” after the firm began inquiring into whether Williams “commingled a client’s funds to a bank account directly under [Williams’] control.” Prior to that, from 2000 to 2006, through an affiliation with Ameriprise Financial Services, Inc., Williams was registered as a registered representative with FINRA and as a broker-dealer agent and investment adviser representative with the Division. Williams also was licensed as an insurance producer and sold insurance products to clients, but his license has since been cancelled.

3. Mid-Atlantic Financial, LLC is a Maryland limited liability company. At all times relevant to this matter, Mid-Atlantic LLC maintained places of business in Forest Hill, MD and Baltimore, MD. Mid-Atlantic LLC is owned by Williams.

4. Jonathan S Williams dba Jonathan S Williams Financial Planning is a sole proprietorship. At all times relevant to this matter, JSWFP maintained places of business in

Forest Hill, MD and Baltimore, MD. JSWFP is owned by Williams.

5. Jonathan Spencer Williams dba Advanced Retirement Solutions is a sole proprietorship. At all times relevant to this matter, JSWARS maintained places of business in Forest Hill, MD and Baltimore, MD. JSWARS is owned by Williams.

III. FINDING OF FACTS

Background

6. In February 2006, Williams began working for NYLIFE Securities LLC. Williams provided securities and insurance services through NYLIFE and was registered with the Division as an agent for NYLIFE.

7. In July 2006, Williams joined Eagle Securities LLC. Williams provided investment advisory services through Eagle and was registered with the Division as an investment adviser representative.

8. Subsequently, Williams also began providing financial services through DBAs and an LLC set up by him. Williams began encouraging his securities and insurance clients to invest directly with his businesses, directing clients to write checks to his businesses and in some instances directing clients to transfer their investments with NYLIFE to his businesses.

9. Clients wrote checks to Williams' businesses with the intention that investments or insurance products would be purchased on their behalf, but the vast majority of those funds were used by Williams for his personal benefit.

Jonathan Spencer Williams dba Advanced Retirement Solutions

10. Beginning in 2009 or earlier, Williams began using, and offering services through, Jonathan Spencer Williams dba Advanced Retirement Solutions.

11. Williams opened up a bank account in the name of the DBA at a financial

institution.

12. Soon afterwards, Williams began soliciting his securities and insurance clients to transfer their funds to, or invest their funds directly with, JSWARS. Several clients wrote checks to JSWARS with a notation that they were transferring funds from their New York Life account(s) or investments.

13. Williams told clients, and clients believed, that their funds were being used to purchase insurance and investment products on their behalf. However, soon after clients' funds were deposited into JSWARS's bank account, the funds were used by Williams to make purchases that were completely unrelated to the funds' intended purpose.

14. Between 2009 and 2010, Williams solicited more than \$330,000 dollars from more than 18 clients or other investors. Instead of using the funds to purchase insurance or investments as intended, the vast majority of the funds were used for his personal benefit, including a \$10,000 payment made to Carmax.

15. Neither Williams nor JSWSARS told the clients or other investors that their funds were being used for a purpose other than for which they intended or in a way that financially benefitted Williams.

16. JSWARS is not now, nor has it ever been, registered as an investment adviser or as a broker-dealer.

17. Williams did not notify his broker-dealer that he was engaged in an outside business activity or private securities transactions through JSWARS.

Jonathan S Williams dba Jonathan S Williams Financial Planning

Acting as an Investment Adviser

18. Beginning in or before the Spring of 2011, Williams began using and conducting

business under another DBA name, Jonathan S Williams dba Jonathan S Williams Financial Planning.

20. Williams held Jonathan S Williams Financial Planning out to the public and directed that clients write checks to JSWFP.

21. JSWFP is not now, nor has it ever been, registered as an investment adviser.

22. Williams and JSWFP did not tell investors that JSWFP was not registered as an investment adviser and, thus, could not hold out as a financial planning firm.

Investments solicited through JSWFP

23. Williams opened one or more bank accounts in the JSWFP name.

24. In May 2011, just days after opening a JSWFP bank account, one of Williams' clients, LK, wrote a \$5,000 check made payable to JSWFP. The memo section of the check, which was deposited into JSWFP's bank account, indicated that the funds were intended to be used to fund LK's Roth IRA account.

25. The funds, however, were never used for their intended purpose. Instead, Williams immediately wrote a \$2,000 check payable to cash and a \$3,000 check payable to a third party not affiliated with LK or any investment in her name.

26. Later that month, AZ and LH, securities and insurance clients of Williams, wrote a \$21,000 check payable to JSWFP. The notation "stock purchase" written in the memo section of the check indicated their intended purpose for the funds – to purchase stock on their behalf.

27. The check was deposited into JSWFP's bank account which, just prior to the deposit, had a balance of only \$2.95. Days later, AZ and LH wrote another \$4,000 check to JSWFP. This check too was deposited into JSWFP's account on June 6, 2011.

28. AZ's and LH's funds were never used for their intended purpose, but instead were

used to pay Williams' personal expenses.¹ Between May 20, 2011 and June 10, 2011, JSWFP took in approximately \$40,000 representing AZ's and LH's funds and \$15,000 of another client's funds. Williams used those funds for his personal benefit by, among other things, paying for airfare and other personal travel expenses, making ATM withdrawals, and writing checks to himself in excess of \$22,000.

29. By June 10, 2011, JSWFP's account balance had dropped to less than \$1,000. However, JSWFP's account was soon replenished with investment funds solicited by Williams from other clients.

30. In June 2011, NYLIFE Securities clients SH and DH gave Williams a \$10,000 check made payable to JSWFP. The check, as indicated by the notation "Lyfe" in the memo section of the check, was intended to fund SH's and DH's purchase of Lyfe Kitchen common stock.

31. SH and DH were directed by Williams to make the check payable to JSWFP. Williams deposited the check into a bank account in the name of JSWFP, where the funds were immediately used for purposes unrelated to the purchase of Lyfe Kitchen common stock or any other investment for SH and DH.

32. JD and BD, husband and wife, were clients of Williams. Between May 2011 and January 2012, JD and BD wrote ten checks payable to JSWFP totaling approximately \$113,000. The checks were made payable to JSWFP at William's direction.

33. As evidenced by the notations made on their checks, JD and BD believed their funds were being invested by Williams in insurance products and, in one instance, a certificate of

¹ As discussed in detail below, AZ and LH also invested funds with Mid-Atlantic LLC. Those funds also were not used for their intended purpose of purchasing investment products on their behalf, but were used to fund Williams' personal expenses.

deposit (“CD”) purportedly issued by JSWFP. However, after being deposited into JSWFP’s account, the funds were used by Williams for his personal benefit, including by writing checks made payable to himself.

34. Between May 2011 and April 2012, Williams solicited and deposited into JSWFP’s bank account approximately \$300,000 in funds intended for investment or insurance purposes, but used the vast majority of those funds for his personal benefit.

35. Neither Williams nor JSWFP told the clients or other investors that their funds were being used for a purpose other than for which they intended or in a way that financially benefitted Williams.

36. JSWFP is not now, nor has it ever been, registered as a broker-dealer.

37. Williams did not notify his broker-dealer that he was engaged in an outside business activity or private securities transactions through JSWFP.

Mid-Atlantic Financial, LLC

Acting as an Investment Adviser

38. In or about February 2012, Williams formed Mid-Atlantic, LLC.² According to Articles of Organization filed with the State Department of Assessments and Taxation, Mid-Atlantic LLC was formed for the purpose of providing “financial advising.”

39. Williams offered to provide financial planning and financial advisory services to clients through Mid-Atlantic, LLC.

40. In February 2013, JL wrote a \$650 check to Mid-Atlantic, LLC for “financial planning” services.

² Williams formed Mid-Atlantic Financial Management, LLC in February 2012 but, in May 2012, filed Articles of Amendment to change the limited liability company’s name to Mid-Atlantic Financial, LLC.

41. The following month, GM paid \$2,000 to Mid-Atlantic, LLC. The memo section of the check indicated that the fee was for “financial advice.”

42. Other clients wrote checks to Mid-Atlantic, LLC for financial planning or advisory services.

43. None of the clients, however, received the financial planning or financial advisory services promised by Williams and Mid-Atlantic, LLC.

44. Mid-Atlantic, LLC is not now, nor has it ever been, registered as an investment adviser.

45. Williams and Mid-Atlantic, LLC did not tell investors that Mid-Atlantic, LLC was not registered to provide investment advisory services, including financial planning and financial advice.

Investments solicited through Mid-Atlantic, LLC

46. As he did with JSWARS and JSWFP, Williams began soliciting his insurance and investment clients to invest with Mid-Atlantic LLC. In many cases, many of the clients who invested with JSWARS and JSWFP also invested with Mid-Atlantic LLC.

47. In May 2013, AZ and LH, who also invested funds with JSWFP, wrote two checks in the amounts of \$24,499.98 and \$9,380.21 to Mid-Atlantic LLC. The checks were intended to fund life insurance policies for AZ.

48. Those checks, which should have been made payable to and forwarded to the life insurance company through which Williams conducted insurance business, instead were deposited into Mid-Atlantic LLC’s bank account.

49. Immediately before the checks were deposited into Mid-Atlantic LLC’s bank account, the account’s balance was down to \$122. Immediately after AZ’s funds were deposited

into Mid-Atlantic LLC's account, Williams began using AZ's funds for his own personal benefit including by making payments of more than \$3,600 to BMW of Towson, purchasing more than \$800 in Baltimore Ravens tickets, making \$9,000 in payments to New York Life Insurance Company ("New York Life") for policies held by Williams or his wife, and making cash withdrawals or payments to himself. By June 8, 2013, AZ's funds were completely dissipated, leaving Mid-Atlantic's bank account with a balance of only \$290.70.

50. In July 2013, AZ contacted New York Life after receiving lapse notices on the two insurance policies that she thought she had funded through Williams. The notices indicated that AZ's insurance policies had lapsed due to non-payment, and reinstatement of the policies required full payment of the total amount due.

51. In August 2013, New York Life asked Williams about the lapse notices, and Williams responded: "All funds have been sent back to client. I will arrange pick up of new checks with Ms. [AZ]." This statement was clearly a lie as Williams had already spent AZ's funds.

52. In November 2013, Williams wrote a check off of Mid-Atlantic LLC's account and purchased two official checks in the amounts of \$24,916.65 and \$9,575.63, which he then forwarded to New York Life to fund AZ's two insurance policies.

53. When asked by New York Life about the source of the funds used to fund the two official checks, Williams told New York Life that the funds came from AZ's original deposits, stating: "The funds had remained in the Mid-Atlantic Financial bank account from the original deposit." As Mid-Atlantic LLC's bank records clearly show, however, those funds had long been spent.

54. Instead, the funds used to purchase the two official checks came from two other

clients who, just days earlier, had written checks totaling \$46,370 payable to Mid-Atlantic LLC. Those funds were written to Mid-Atlantic LLC to fund the other clients' investments, not AZ's insurance policies.

55. When asked by New York Life if any clients, other than AZ, "made checks payable to [Williams or his DBA] for any purpose," Williams again lied by saying, "No." Williams' bank records tell an entirely different story.

56. Between 2012 and 2014, clients JD and BD, who also invested with JSWFP, wrote at least 17 checks totaling more than \$150,000 to Mid-Atlantic, LLC. As indicated by the memo sections of the checks, the funds were intended to fund their insurance policies, to purchase a 6 month CD, and to fund other investments. Their funds however were misappropriated by Williams and Mid-Atlantic, LLC.

57. SB and MB were securities clients of Williams at NYLIFE Securities. In or about February 2013, SB and MB began making what they thought were investments in their IRA accounts. They were instructed to make their investment checks payable to Mid-Atlantic LLC. They initially made two checks payable to Mid-Atlantic LLC in the amount of \$3,000 each. In September 2013, SB and MB made an additional investment of \$3,000 each to their IRA accounts, again making checks payable to Mid-Atlantic LLC.

58. SB's and MB's investment funds, however, were never invested as intended. Just before SB's and MB's initial \$6,000 investment was deposited into Mid-Atlantic LLC's bank account, the account had a negative balance of (\$3,877.47). SB and MB's investment funds gave the account a positive balance, but within one day of the deposit, the account again showed a negative balance as Williams wrote two checks totaling \$2,500 to himself.

59. Likewise, less than two days after their second investment of \$6,000, Williams

wrote a check to himself in the amount of \$4,000. None of the funds were invested in IRA accounts for the benefit of SB and MB.

60. Another client, EW, was introduced to Williams by her sister, who had previously invested in 6 month CDs paying 3% interest through Williams. Williams told EW that the 6-month CDs were risk free.

61. Initially, EW was directed by Williams to make her checks payable to National Financial Services, and EW received monthly account statements from National Financial Services.

62. At some point, however, Williams recommended that EW reinvest a portion of her assets with Mid-Atlantic, LLC.

63. Williams instructed and assisted EW in liquidating her existing investments and transferring those assets into her checking account. Williams then directed EW to write checks to Mid-Atlantic, LLC.

64. EW believed that her assets were being invested in CDs issued by or through Mid-Atlantic, LLC.

65. In October 2012, EW wrote a \$200,000 check to Mid-Atlantic LLC. The check was deposited into Mid-Atlantic LLC's bank account, where Williams then proceeded to spend a significant amount of the funds on business and personal expenses. None of the funds were invested in certificates of deposit for EW's benefit. By January 2014, the funds had almost all been spent.

66. Between October 2012 and April 2014, EW wrote at least five more checks to Mid-Atlantic LLC totaling approximately \$199,000. Several of the checks indicated that the funds were intended to fund a certificate of deposit, and identified the source of the funds as one

of EW's brokerage accounts at NYLIFE Securities or MetLife Securities. As with EW's initial investment, these funds were used for Williams' personal and business expenses, including numerous cash withdrawals, payment of personal taxes, and automobile-related expenses. None of the funds were invested in certificates of deposit for EW.

67. This cycle of depositing client funds intended for investment or insurance purposes, using those funds for Williams' personal or business use until the funds were dissipated, and then replacing those funds with new funds from clients continued until the accounts' closing in or about August 2014.

68. Around that same time, Williams opened a new bank account in the name of Mid-Atlantic, LLC at another financial institution.

69. Williams continued his pattern of soliciting investor funds only to use them for his personal benefit.

70. In or about November 2014, LD wrote Mid-Atlantic, LLC a check for \$107,336.80 with the intent that the check would be invested in a CD.³

71. Shortly after being deposited in Mid-Atlantic, LLC's bank account, Williams wired \$35,000 of the funds to a brokerage account held in his name at NYLife Securities and proceeded to spend the remainder of the funds primarily for his personal benefit, including paying \$7,500 to a jeep dealership.

72. EW's funds were followed by the funds of another client, GM, who in a series of checks written to Mid-Atlantic, LLC between February and July 2015, invested \$114,000 with Mid-Atlantic, LLC.⁴ Three of the four checks totaling \$82,000 indicated GM's intended purpose

³ LD had previously invested \$85,000 with Mid-Atlantic, LLC for her "CD acct" and "investments."

⁴ GM had previously invested approximately \$77,500 with Mid-Atlantic, LLC.

to invest in CDs. Those funds also were misappropriated by Williams.

73. In total, between approximately February 2012 and July 2015, Williams solicited more than \$2.8 million dollars from 25 investors, who entrusted Williams to invest the funds in insurance or securities products for their benefit. Instead, Williams deposited the investor funds into Mid-Atlantic's bank accounts and used the vast majority of the funds for his personal benefit.

74. Neither Williams nor Mid-Atlantic, LLC told the clients or other investors that their funds were being used for a purpose other than for which they intended or in a way that financially benefitted Williams.

75. Mid-Atlantic, LLC is not now, nor has it ever been, registered as a broker-dealer.

76. Williams did not notify his broker-dealer that he was engaged in private securities transactions through Mid-Atlantic, LLC.

FINRA Bar

77. Following the filing of a Form U5 disclosing that Williams was terminated for allegedly falsifying bank records and commingling client funds, FINRA initiated an investigation into the circumstances surrounding Williams' termination from NYLIFE Securities LLC and Eagle Strategies LLC.

78. On or about June 19, 2015, pursuant to FINRA Rule 8210, FINRA requested that Williams appear and provide testimony on July 9, 2015. On or about July 2, 2015, however, Williams' attorney advised FINRA that Williams would not appear for testimony on July 9, 2015 or thereafter. FINRA alleged that Williams' refusal to provide testimony violated FINRA Rules 8210 and 2010.

79. In July 2015, Williams and FINRA entered into a Letter of Acceptance, Waiver

and Consent in which Williams consented to a bar from associating with any FINRA member in any capacity.

IV. CONCLUSIONS OF LAW

The Commissioner concludes that:

80. Respondents violated section 11-501 of the Securities Act by offering and selling unregistered securities.

81. Respondents Williams, JSWFP, JSWARS, and Mid-Atlantic, LLC violated section 11-401(a) of the Securities Act by acting as unregistered broker-dealers or agents.

82. Respondents Williams, JSWFP, and Mid-Atlantic, LLC violated section 11-401(b) of the Securities Act by acting as unregistered investment advisers or investment adviser representatives.

83. Respondents JSWFP, JSWARS, and Mid-Atlantic, LLC violated section 11-402(b) of the Securities Act by employing or associating with unregistered agents.

84. Respondents JSWFP and Mid-Atlantic, LLC violated section 11-402(a) of the Securities Act by employing or associating with unregistered investment adviser representatives.

85. Respondents violated section 11-301(2) and (3) of the Securities Act by, among other things, soliciting client funds for the purpose of investing those funds in insurance and securities products, but instead misappropriating those funds for their personal benefit; and making materially false and misleading statements, or omitting to disclose material facts, in connection with the offer and sale of securities.

86. Respondents violated sections 11-302(a)(2) and (3) and 11-302(c) of the Securities Act by, among other things, soliciting client funds for the purpose of investing those funds in insurance and securities products, but instead misappropriating those funds for their

personal benefit; and making materially false and misleading statements, or omitting to disclose material facts, in connection with the solicitation of, or in dealings with, advisory clients.

V. SANCTIONS

87. NOW, THEREFORE, IT IS HEREBY ORDERED that:

a. Respondents are permanently barred from engaging in the securities or investment advisory business in Maryland for or on behalf of any others, or from acting as principal or consultant in any entity so engaged.

b. Respondents, jointly and severally, are assessed a civil monetary penalty pursuant to section 11-702 of the Act in the amount of \$1,200,000 for the violations set forth in this Order.

VI. JURISDICTION RETAINED

88. Jurisdiction shall be retained by the Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Order.

VII. APPEAL RIGHTS

89. Each Respondent may appeal this Final Order to the appropriate Circuit Court of the State of Maryland within 30 days from the date this Final Order is mailed by the Securities Division.

SO ORDERED:

**Commissioner's Signature on
File w/Original Document**

January 23, 2018

Melanie Senter Lubin
Maryland Securities Commissioner