

STATE OF NEVADA
OFFICE OF THE SECRETARY OF STATE
SECURITIES DIVISION

2250 LAS VEGAS BOULEVARD NORTH, SUITE 400
NORTH LAS VEGAS, NEVADA 89030

In the Matter of:

**McNALLY FINANCIAL SERVICES
CORPORATION, CRD #121196;
LAWRENCE BURTON GOLDSTEIN,
CRD #2282699**

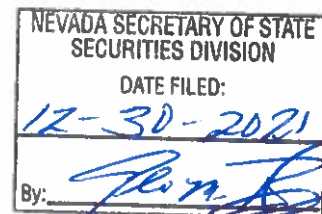
Respondents.

ADMINISTRATIVE CONSENT ORDER

File No. INV21-090

TO: McNally Financial Services Corporation
16414 San Pedro, Suite 930
San Antonio, TX 78232-5185

Lawrence Burton Goldstein
6217 Ingleston Drive
Sparks, NV 89436



WHEREAS, McNALLY FINANCIAL SERVICES CORPORATION, CRD No. 121196, (Respondent MFSC), is a Texas-based broker-dealer and investment advisory firm located at 16414 San Pedro, Suite 930, San Antonio, TX 78232-5185;

WHEREAS, LAWRENCE BURTON GOLDSTEIN, CRD No. 2282699, (Respondent Goldstein), was a Nevada-based broker-dealer sales representative for MFSC;

WHEREAS, the U.S. Securities and Exchange Commission (SEC) began a routine examination of Respondent MFSC in late 2017, and in June of 2018, the SEC informed Respondent MFSC that it appeared that excessive trading had occurred in two of its customers' accounts. The SEC referred the matter to FINRA, which then opened an investigation;

WHEREAS, in the two accounts beginning in May 2017, Looper Turnover Rates exceeded 5.0 and did not align with trading strategies. Both accounts were managed by Respondent Goldstein.

1 These trades produced gross commissions of \$85,936 in commissions the clients netted losses of over
2 \$50,000. It was not uncommon for Respondent Goldstein to make as many as 14-15 trades in some
3 months, holding the trades for a very short period;

4 **WHEREAS**, Respondent Goldstein had limited discretionary authority in one of the accounts
5 and in the other account, at times, he had no conversations regarding his trading strategy. On more
6 than one occasion, Respondent MFSC suggested that Respondent Goldstein consider changing his
7 approach to the way he made trades. Respondent Goldstein claimed to lower the size of his trades;
8 however, the account statements reflected no such changes;

9 **WHEREAS**, FINRA did an on-the-record interview with Respondent MFSC in May 2019.
10 During said interview, Respondent MFSC's witness testified that it supervised trading activity
11 electronically. and that if any concerns arose during branch inspections, such were discussed directly
12 with Respondent Goldstein;

13 **WHEREAS**, two branch audits of one of MFSC's representatives occurred in May 2014 and
14 March 2017. In both audits, "no issues [were] identified" however there are no analysis or
15 information in the firm's records that supported the conclusion that no issues were identified such as
16 looking at cost to equity ratios or Looper turnover rates;

17 **WHEREAS**, Respondent MFSC informed FINRA that when a representative of MFSC was
18 asked about certain accounts, a reasonable explanation for the activity was given, and therefore,
19 nothing else needed to be done;

20 **WHEREAS**, in response to FINRA's concern that certain accounts were "re-papered",
21 Respondent MFSC stated: "We want to make sure the investment objective is in line with the trading
22 activity that's going on."

23 **WHEREAS**, regarding one account in particular Respondent MFSC noted that the active
24 trading was being done to recoup losses. Respondent MFSC did not follow up with Respondent
25 Goldstein in the subsequent 1.5 years to determine if the trading strategy had been halted.

26 **WHEREAS**, it is a violation of NRS 90.420(1)(l) to fail to establish and maintain a reasonable
27 system to supervise a sales representative, employee, or representative of an investment adviser;
28

WHEREAS, it is a violation of FINRA Rule 3110 to fail to establish and maintain a system to supervise the activities of its associated persons that is reasonably designed to achieve compliance with the applicable securities laws and regulations and FINRA rules;

WHEREAS, Respondents have advised the Division of their desire to resolve the above alleged failure to comply with the requirements of Nevada's Uniform Securities Act, on the terms specified within this Administrative Consent Order;

WHEREAS, Respondents, while not admitting nor denying the foregoing, elect to permanently and expressly waive any right to a hearing and appeal under the Act and/or to seek judicial review under the Nevada Administrative Procedure Act, NRS Chapter 233B, with respect to this Order.

NOW THEREFORE, the Administrator, pursuant to the Act, hereby enters the following:

ORDER

Finding the following appropriate and in the public's interest, and on the basis of the foregoing, and Respondents' consent to the entry of this Order,

IT IS HEREBY ORDERED:

1. Respondents will cease from violating the Act and will comply with said Act.
2. Respondent McNally will pay the Nevada Secretary of State a civil penalty in the cumulative amount of \$50,000.00 due upon signing of the Respondents' consent to entry of this Administrative Order.
3. Respondents MFSC and Goldstein shall submit rescission offers in the amount of commissions earned to the two impacted accounts as set out below. For Account 1 (FFA), the rescission should be made by Respondent Goldstein individually, and should total \$137,500. For Account 2, (FA), the rescission shall be made by both parties, and should be for a cumulative amount of \$28,000. Recipients shall have 30 days to accept or reject such rescission.

1 4. Respondent Goldstein, CRD #2282699 is permanently barred from conducting securities
2 business in the state of Nevada.

3 5. All amounts submitted under subsection (2) shall be remitted to:

4 Nevada Secretary of State
5 c/o Stacey Roter
6 2250 Las Vegas Boulevard North, Suite 400
7 North Las Vegas, NV 89030

8 6. In consideration, the Division will take no further enforcement action based upon the
9 circumstances covered by this investigation and Order and close its administrative
10 investigation of the Respondents in connection with the aforementioned activities.

11 7. Nothing in this Order shall be construed as a waiver of the Division's right to investigate
12 and pursue any violations by Respondents in connection with other activity not set forth
13 herein.

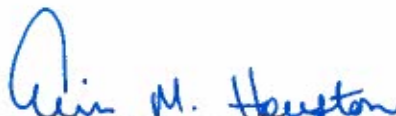
14 8. Nothing in this Order is intended to limit or create for third parties any private remedies
15 against Respondents.

16 9. This Order shall be effective as of the date on which it is signed by the Administrator as set
17 forth below.

18 IT IS SO ORDERED.

19 DATED this 30th day of December, 2021.

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21 **BY ORDER OF THE ADMINISTRATOR**
22 Office of the Secretary of State, Securities Division

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24 _____
25 ERIN M. HOUSTON
26 Deputy Secretary for Securities
27 Securities Administrator
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Respondents specifically acknowledge that a violation of this Order may constitute a felony pursuant to NRS 90.650.

Respondents state that no promise of any kind or nature, other than the consideration set forth in the Order, was made to them to induce them to enter into this Order and that they have entered into this Order voluntarily.

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Lawrence Goldstein

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Dated this 23 day of December, 2021.

Lawrence Goldstein

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December 28, 2021

Via Overnight Delivery: 775614531106

Nevada Secretary of State
c/o Stacey Roter
2250 Las Vegas Blvd. North, Suite 400
North Las Vegas, NV 89030

Re: *In the Matter of McNally Financial Services Corporation, CRD #121196; Lawrence
Burton Goldstein, CRD #2282699; File No. INV21-090*

Dear Ms. Roter:

Enclosed please find the Administrative Consent Order signed by David McNally, Larry Goldstein and Gary Kessler in the above referenced matter. Also enclosed is the check issued by McNally Financial Services Corporation in the amount of \$50,000 made payable to Nevada Secretary of State.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "G. S. Kessler", is written over a horizontal line.

Gary S. Kessler

cc: Brett Olin

NEVADA
SECRETARY OF STATE
DEC 29 2021
SECURITIES DIVISION