

Web Posted: 08/14/2009 12:00 CDT

Brokerage firms added to suit against adviser

The brokerage firms Next Financial Inc. and LPL Financial Inc. have been added as defendants in a Bexar County suit that claims an elderly San Antonio couple lost \$2 million because of an "evil scheme" to defraud them.

The Thursday refiling of the suit raises the stakes in a legal fight over the conduct of financial adviser Jeremy McGilvrey, 32, the owner of the defunct Hill Country Wealth, and a registered agent for LPL and later Next.

The suit was originally filed July 30 on behalf of retired Air Force officers Thomas and Dorothy Crouch, both of whom are legally incapacitated.

The suit accuses McGilvrey, company President Lance Smith and others of "plundering" the Crouches' wealth by inducing them to make risky investments, buy stock in Hill Country Wealth and lend the firm money.

"McGilvrey and Smith embarked on a scheme to take as much money from their clients as possible, including the sale of the client's solid, safe investments, in order to have cash in the accounts of Hill Country Wealth, and in the pockets of McGilvrey and Smith," reads the suit.

The suit charges a host of illegalities, including fraud, sale of unregistered securities and civil conspiracy. It asks for millions in actual and punitive damages from the various defendants, including Next and LPL.

"These brokerage firms had a duty to supervise the agents who were out soliciting on their behalf. Next and LPL should have been watching Hill Country Wealth to catch this kind of fraud," said Mark Smith, who represents James Crouch, the guardian for the elderly pair.

Calls made Thursday to McGilvrey, Smith's lawyer, Next and LPL were not returned.

According to the broker profile of McGilvrey maintained by FINRA (Financial Industry Regulatory Agency), he worked for LPL until June of 2008 when he was "permitted to resign" for "failure to properly supervise (a) registered representative with respect to reporting of (a) direct business transaction."

He then worked for Next until he was fired in May of this year for "violating firm policy by borrowing from a client," presumably the Crouches.

According to the suit, the Crouches lost money while McGilvrey worked for both companies, making both liable.

"Next hired this guy and allowed him to supervise his own office. This was after he was fired from LPL for allowing someone, possibly himself, to do an improper private transaction with a client," said Andy Harvin, another lawyer representing James Crouch.

Next has already paid dearly for failure to supervise other agents.

According to its FINRA report, in 2008 the Houston-based firm paid a \$1 million fine because it "failed to create a reasonable system and written procedures for supervising branch offices, regional managers and registered representatives."

The report states that an unnamed Next manager "churned customer accounts whereby customers lost \$565,000 because no one at the firm was reviewing his transactions," among other failures.

In addition to the civil litigation, the Texas State Securities Board and San Antonio police are investigating possible criminal offenses by McGilvrey and others.

McGilvrey, who once appeared prominently on local television hawking Hill Country Wealth, is now proving hard to find, at least by those who are suing him.

"We have not been able to serve him. He has totally vanished. Our process server cannot find him anywhere," Mark Smith said.



Jeremy McGilvrey: Once-flamboyant financial adviser is now hard to find.