

STATE OF NEBRASKA
Department of Banking & Finance

In the Matter of)	
)	
Physicians Financial Services, Inc.,)	
1810 South 108th Street,)	FINDINGS OF FACT
Omaha, Nebraska; and)	CONCLUSIONS OF LAW
)	AND
Jeffrey J. Taxman,)	CONSENT ORDER
1810 South 108th Street,)	
Omaha, Nebraska;)	
)	
RESPONDENTS.)	

THIS MATTER comes before the Nebraska Department of Banking and Finance (“DEPARTMENT”), by and through its Acting Director, pursuant to its authority under the Securities Act of Nebraska, Neb. Rev. Stat. §§ 8-1101 to 8-1123 (Reissue 2012; Supp. 2013) (the “Act”). Pursuant to Neb. Rev. Stat. § 8-1115 (Reissue 2012), the DEPARTMENT has investigated the acts of Physicians Financial Services, Inc., 1810 South 108th Street, Omaha, Nebraska, and Jeffrey J. Taxman, 1810 South 108th Street, Omaha, Nebraska (collectively “RESPONDENTS”).

Without admitting or denying the Findings of Fact and Conclusions of Law of the DEPARTMENT contained in this Order, the RESPONDENTS enter into the following Findings of Fact, Conclusions of Law and Consent Order (“Order”).

FINDINGS OF FACT

1. Jeffrey J. Taxman (“TAXMAN”) conducts an investment advisory business at 1810 South 108th Street, Omaha, Nebraska. TAXMAN, as a sole proprietor

doing business as Physicians Financial Services, was registered as an investment adviser in Nebraska from February 27, 2007 to February 4, 2011.

2. On or about January 10, 2011, Physicians Financial Services, Inc. (“SERVICES”) was incorporated under the laws of the State of Nebraska, having its principal place of business located at 1810 South 108th Street, Omaha, Nebraska. SERVICES registered with the DEPARTMENT as an investment adviser, effective February 4, 2011. TAXMAN is the sole shareholder of SERVICES.

3. Since February 4, 2011, TAXMAN has been registered as an investment adviser representative of SERVICES.

4. Investment advisers registered to transact advisory business in Nebraska are required to submit a Uniform Application for Investment Adviser Registration (“Form ADV”) to the DEPARTMENT. Nebraska law states that, if the information contained in the Form ADV filed with the DEPARTMENT is or becomes inaccurate or incomplete in any material respect, the investment adviser is required to promptly file a correcting amendment.

5. Item 6 of Form ADV asks about the “Other Business Activities” of the investment adviser. Item 6B(1) asks if the investment adviser is engaged in any business other than as a broker-dealer; registered representative of a broker-dealer; futures commission merchant, commodity pool operator, or commodity trading advisor; real estate broker, dealer, or agent; insurance broker or agent; bank; or other financial product salesperson.

6. In the January 2010 ADV, while TAXMAN was registered as a sole proprietor Investment Advisor, TAXMAN answered “No” to Item 6B(1), stating that he

was not engaged in other businesses, except the insurance business which was disclosed in response to Item 6A. The answer to Item 6B(1) was also “No” on the Form ADV that was filed by and on behalf of TAXMAN on April 14, 2010 (“April ADV”).

7. Item 8A (3) of Form ADV asks whether the investment adviser or any related person recommends securities or other investment products to persons who are also advisory clients in which the investment adviser or a related person has an ownership interest.

8. While registered as, or while a related person of, an investment adviser, TAXMAN owned and/or operated businesses in addition to his disclosed insurance business, including:

a. Physicians Financial Structures, Inc. (“STRUCTURES”): STRUCTURES provided support services, such as payroll and accounting, to the advisory businesses and other related entities. TAXMAN owns more than fifty percent (50%) of STRUCTURES.

b. PFS Consulting, LLC: PFS Consulting, LLC while inactive continues to be registered as an LLC under Nebraska law. TAXMAN owns one hundred percent (100%) of PFS Consulting, LLC.

c. E-Insure Direct, LLC: E-Insure Direct, LLC was established to market individual health insurance. TAXMAN provided support to E-Insure Direct, LLC by setting up the technology and providing the insurance licenses. TAXMAN was a partial owner of E-Insure Direct, LLC until it was dissolved in March 2010.

d. USA Doctors Insurance Company, PPC (“USA Doctors”): USA Doctors was established in 2007 as a protected cell captive insurance company under the laws of the country of Anguilla. The administrator of USA Doctors was CJA Associates of Chicago, IL. USA Doctors was dissolved by its members and all of its assets were distributed to its members in December 2012. TAXMAN owned a 5% interest in USA Doctors until it was dissolved

9. Certain of the investment advisory clients of TAXMAN purchased shares of one of the businesses in which TAXMAN was the chief executive officer and in which he had an interest.

10. At all times relevant to this Order, neither the business at issue nor TAXMAN had registered any securities for sale in Nebraska under the Act, nor had the business at issue or TAXMAN filed a claim of exemption or notice claiming status as a federal covered security with the DEPARTMENT in connection with the offer and/or sale of said securities.

11. TAXMAN submitted financial statements to the DEPARTMENT, dated December 10, 2010 which he had not prepared or reviewed. These financial statements did not provide an accurate demonstration of the activities, assets or liabilities of TAXMAN as a sole proprietor investment advisory firm doing business as Physicians Financial Services.

12. The instructions for Form ADV state that investments advisers are required to amend their Form ADV annually within ninety (90) days of the end of the adviser’s fiscal year. The DEPARTMENT considers the filing of a Form ADV to be timely if filed within ninety (90) days of the end of the investment adviser’s fiscal year.

13. The fiscal year for SERVICES ends on December 31.

14. On or about November 1, 2012, the DEPARTMENT sent a 2013 CRD/IARD Investment Adviser and Investment Adviser Representative Registration Renewal Notice to all investment advisers registered in Nebraska, including SERVICES, which notice set forth requirements for renewing their registrations.

15. On or about December 21, 2012, SERVICES submitted documents directly to the DEPARTMENT to renew its registration as an investment adviser in Nebraska for the year 2013. The documents consisted of Form IAR, financial statements, a bond renewal certificate, an investment advisory selling agreement with SEI Trust Company and Portfolio Solutions, promotional material and advisor agreements with SEI and Plus Sigma Inc. As required by DEPARTMENT Rules, the fees were paid through the Investment Adviser Registration Depository ("IARD") but the documents were not filed through and/or on the IARD system.

16. The most recent Form ADV submitted by SERVICES to the DEPARTMENT through the IARD system was submitted on or about December 22, 2011.

17. SERVICES has failed to timely submit the necessary documents on the IARD system for renewal of its investment adviser registration in Nebraska for the year 2013.

18. On September 30, 2013, the DEPARTMENT issued Findings of Fact, Conclusions of Law, and Order to Show Cause to Physicians Financial Services, Inc. ("Services") and Jeffrey J. Taxman ("Taxman") ("Show Cause Order"). The Director appointed a hearing officer and a hearing on the matter was to be held at the office of the

DEPARTMENT, beginning on the 4th day of December, 2013. The hearing was subsequently continued, with the current hearing set to be held at the office of the DEPARTMENT, beginning on the 6th day of October, 2014.

19. This Order is executed in resolution of this matter to avoid further proceedings.

CONCLUSIONS OF LAW

1. The DEPARTMENT has jurisdiction over this matter pursuant to the Act.
2. Neb. Rev. Stat. § 8-1103(9)(b) (Reissue 2012) provides, in part, that the Director may by order bar any person from engaging in the securities business in this state if the Director finds that the order is in the public interest and that the person has (i) willfully violated or willfully failed to comply with any provision of the Securities Act of Nebraska or any rule, regulation, or order adopted and promulgated pursuant to the act; or (ii) engaged in dishonest or unethical practices in the securities business.
3. Neb. Rev. Stat. § 8-1104 (Supp. 2013) provides that it shall be unlawful for any person to offer or sell a security in Nebraska unless such security is registered under the Act, exempt from registration under the Act, or qualifies as a federal covered security.
4. The facts set forth in Findings of Fact Nos. 8, 9, and 10, above, constitute the sale of securities in Nebraska without registration.
5. Neb. Rev. Stat. § 8-1102(1) (Reissue 2012) provides that it is unlawful for any person to make or cause to be made, in any document filed with the Director or in any proceeding under the Act, any statement which is, at the time and in the light of the circumstances under which it is made, false or misleading in any material respect.

6. The Forms ADV filed by TAXMAN failed to disclose the other businesses which TAXMAN owned and/or operated. Finding of Fact Nos. 7 and 8, above, constitute the filing of false and misleading documents with the Director.

7. The facts set forth in Finding of Fact No. 11, above, constitute filing documents with the Director, specifically the financial statements for TAXMAN, which were false and misleading.

8. Neb. Rev. Stat. § 8-1103(4)(c) (Reissue 2012) provides, in part, that the registration of an investment adviser shall be effective for a period of not more than one (1) year and shall expire on December 31 unless renewed. 48 NAC 7.003.01 provides that an investment adviser's registration automatically expires annually on December 31 and an investment adviser's registration must be renewed on or prior to that date.

9. Neb. Rev. Stat. § 8-1103(5) (Reissue 2012) provides, in part, that the registration of an investment adviser may be renewed by filing with the Director or with a registration depository designated by the Director prior to the expiration date such information as the Director by rule, regulation, or order may require to indicate any material change in the information contained in the original application or any renewal application for registration as an investment adviser.

10. 48 NAC 7.003.02 provides that an application for renewal of registration as an investment adviser pursuant to Section 8-1103(5) of the Act shall be filed annually, and shall contain Uniform Application for Investment Adviser Registration ("Form ADV"), together with all applicable schedules and exhibits specified therein, complete, accurate and current; Form IAR for designation of investment adviser representatives to be registered in Nebraska; financial statements as required by 48 NAC 7.009; specimen

contracts or agreements relating to Nebraska clients; promotional or disclosure literature to be furnished or disseminated to any client or prospective client in Nebraska; and a fee in the amount of two hundred dollars (\$200.00).

11. SERVICES failed to submit the required documents for renewal of its investment adviser registration prior to the expiration date of December 31, 2012, resulting in the termination of the registration of SERVICES as an investment adviser in Nebraska.

12. Under the Act's statutory framework, the Director has legal and equitable authority to fashion significant protective remedies.

13. It is in the best interest of the Parties and it is in the public's best interest for the Parties to resolve the issues included herein.

CONSENT ORDER

NOW THEREFORE, the parties agree to this order as follows:

- a. The DEPARTMENT has jurisdiction as to all matters herein.
- b. An order should be entered in this matter, which shall be in lieu of other proceedings by the DEPARTMENT, except as specifically reference in this Order.

RESPONDENTS further represent as follows:

- a. RESPONDENTS are aware of their right to a hearing on this Order at which they may be represented by counsel, present evidence, and cross-examine witnesses. The right to such hearing and any related appeal on all matters covered by this Order are irrevocably waived.

- b. RESPONDENTS are acting free from any duress or coercion of any kind or nature.
- c. This order is executed to avoid further proceedings and the RESPONDENTS neither admit nor deny the Findings of Fact nor the Finding of Violations but consent to this order.
- d. RESPONDENTS are aware that if, at any time, the DEPARTMENT determines that RESPONDENTS have committed any violations of the Act, the DEPARTMENT may take any action available to it under the Act.

IT IS THEREFORE ORDERED that Jeffrey J. Taxman, 1810 South 108th Street, Omaha, Nebraska shall be barred from association with an investment advisor registered in the State of Nebraska.

IT IS THEREFORE ORDERED that the registration of Physicians Financial Services, Inc., 1810 South 108th Street, Omaha, Nebraska as an investment advisor registered in the State of Nebraska is terminated for failure to timely file the renewal of its registration.

IT IS FURTHER ORDERED:

- 1. This Order does not limit or create any private rights or remedies against RESPONDENTS, limit or create liability of RESPONDENTS or limit or create any defenses for the RESPONDENTS to any claims for any person or entity not a party to this Order.

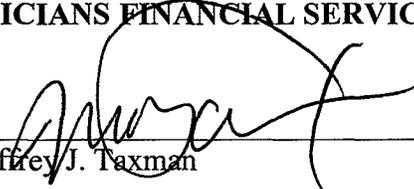
2. The Show Cause Order as to RESPONDENTS shall be vacated and the hearing on this matter cancelled as of December 1, 2014 without further order of the DEPARTMENT.

3. The DEPARTMENT shall pay its costs and all of the Hearing Officer's costs associated with the scheduling of the hearing in this matter.

4. Nothing herein shall preclude the State of Nebraska, its departments, agencies, board, commission, authorities, political subdivisions and corporation, other than the DEPARTMENT (collectively, "State Entities") and the officers, agents or employees of State Entities from asserting any claims, causes of action, or applications for compensatory, nominal and/or punitive damages, administrative, civil, criminal or injunctive relief against RESPONDENTS in connection with the subject matter of this Order.

The effective date of this Order will be November 30, 2014.

PHYSICIANS FINANCIAL SERVICES, INC.

By: 
Jeffrey J. Taxman

DATED this 23 day of September, 2014.

JEFFREY J. TAXMAN


Jeffrey J. Taxman

DATED this 23 day of September, 2014.

**STATE OF NEBRASKA
DEPARTMENT OF BANKING AND FINANCE**



By: 
Ray A. Popl, Acting Director

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