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Texas State Securities Board

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**SOAH DOCKET NO. 312-13-3151
SSB DOCKET NO. IC13-04**

IN THE MATTER OF
THE INVESTMENT ADVISER
REGISTRATION OF
WEALTH SOLUTIONS, INC. AND
THE INVESTMENT ADVISER
REPRESENTATIVE
REGISTRATION OF
RICHARD DWAYNE BLAIR

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BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS

TO: Richard Dwayne Blair
Wealth Solutions, Inc. (CRD No. 35331)
10333 Richmond Ave, Suite 970
Houston, TX 77042

Richard Dwayne Blair (CRD No. 2256412)
10333 Richmond Ave, Suite 970
Houston, TX 77042

NOTICE OF HEARING

This is your OFFICIAL NOTICE that a hearing will be held at the State Office of Administrative Hearings, in the William P. Clements Building, 300 W. 15th Street, 4th Floor, Austin, Texas 78701, before an Administrative Law Judge on June 19, 2013, for the purpose of determining whether the registrations of Wealth Solutions, Inc. ("Respondent Wealth Solutions") as an investment adviser with the Securities Commissioner of Texas ("Securities Commissioner") and Richard Dwayne Blair ("Respondent Blair")(collectively, "Respondents") as an investment adviser representative of Respondent Wealth Solutions with the Securities Commissioner should be REVOKED and for the purpose of determining whether Respondents should be ~~ASSESSED AN ADMINISTRATIVE FINE of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00).~~

This hearing will be held pursuant to The Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1 to 581-43 (West 2010 & Supp. 2012)("Texas Securities Act"); the Rules and

Regulations of the State Securities Board, 7 Tex. Admin. Code Chapter 101 (Supp. 2012)("Board Rules"); the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001 to 2001.902 (West 2008 & Supp. 2012); and the Rules of Practice and Procedure of the State Office of Administrative Hearings, 1 Tex. Admin. Code Chapter 155 (Supp. 2011)("SOAH Rules").

IF YOU DO NOT FILE A WRITTEN ANSWER OR OTHER WRITTEN RESPONSIVE PLEADING TO THIS NOTICE OF HEARING ON OR BEFORE THE 20TH DAY AFTER THE DATE ON WHICH THIS NOTICE WAS MAILED TO YOU OR PERSONALLY SERVED ON YOU, THE FACTUAL ALLEGATIONS IN THIS NOTICE WILL BE DEEMED ADMITTED, AND THE SECURITIES COMMISSIONER MAY DISPOSE OF THIS CASE WITHOUT A HEARING AND GRANT THE RELIEF SOUGHT IN THIS NOTICE.

THE RESPONSE MUST BE FILED IN AUSTIN, TEXAS, WITH THE STAFF OF THE STATE SECURITIES BOARD AND THE STATE OFFICE OF ADMINISTRATIVE HEARINGS.

IF YOU FAIL TO ATTEND THE HEARING, EVEN IF A WRITTEN ANSWER OR OTHER RESPONSIVE PLEADING HAS BEEN FILED, THE FACTUAL ALLEGATIONS IN THIS NOTICE WILL BE DEEMED ADMITTED, AND THE SECURITIES COMMISSIONER MAY DISPOSE OF THIS CASE WITHOUT A HEARING AND GRANT THE RELIEF SOUGHT IN THIS NOTICE.

CONTACT INFORMATION

Ronak V. Patel, Esq.
Clinton T. Edgar, Esq.
Texas State Securities Board
208 E. 10th Street, 5th Floor
Austin, Texas 78701
Telephone: (512) 305-8300
Facsimile: (512) 305-8340

Docketing Office
State Office of Administrative Hearings
300 W. 15th Street, Suite 504
Austin, Texas 78701
Telephone: (512) 475-3445
Facsimile: (512) 475-4994

Pursuant to §105.8 of the Board Rules, all documents filed by any party, other than business records and transcripts, and all documents issued by the Administrative Law Judge must be contemporaneously served upon the Securities Commissioner's representative as identified below:

Marlene Sparkman
General Counsel
Securities Commissioner's Representative
Texas State Securities Board
208 E. 10th Street, 5th Floor
Austin, Texas 78701
Telephone: (512) 305-8300
Facsimile: (512) 305-8336

Legal authority and jurisdiction for this matter exist under Sections 14 and 23-1 of the Texas Securities Act, Section 2003.021(b) of the Texas Government Code, and Section 155.51 of the SOAH Rules.

The Staff of the Texas State Securities Board ("Staff") will present evidence in support of its request that the registrations of Respondents with the Securities Commissioner be REVOKED and that Respondents be ASSESSED AN ADMINISTRATIVE FINE of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00). The evidence presented by the Staff will prove the following:

I. Registrations Summary

1. On April 15, 1994, Respondent Wealth Solutions registered with the Securities Commissioner as an investment adviser. This registration is currently effective. Respondent Wealth Solutions' last known business address, as filed with the Securities Commissioner, is 10333 Richmond Ave, Suite 970, Houston, Texas 77042
2. From April 15, 1994 to October 12, 2012, Respondent Wealth Solutions was also registered with the Securities Commissioner as a dealer.
3. On April 15, 1994, Respondent Blair registered with the Securities Commissioner as an investment adviser representative of Respondent Wealth Solutions. This registration is currently effective. Respondent Blair is a natural person, whose last known residential address, as filed with the Securities Commissioner, is 12902 Hacienda Ridge, Austin, Texas 78738, and whose last known business address, as filed with the Securities Commissioner, is 10333 Richmond Ave, Suite 970, Houston, Texas 77042.

II. Fraudulent Conduct

4. In 2009 and 2010, through Respondent Blair, Respondents sold interests in a real estate investment trust (the "REIT") issued by Cole Credit Property Trust III, Inc. ("Cole Credit") to clients of Respondent Wealth Solutions. These sales totaled over \$1,800,000.
5. Shares of the Cole Credit REIT sold by dealers were priced at \$10.00 per share, and a sales commission of 7% was paid to the participating dealer. However, shares of the Cole Credit REIT sold by investment adviser representatives associated with a dealer were priced at only \$9.30 per share, reflecting the fact that the 7% selling commission was not paid in connection with such sales.
6. At least fifty-six (56) clients of Respondent Wealth Solutions purchased shares of the Cole Credit REIT and qualified for the reduced share price of \$9.30 because Respondent Blair was registered with the Securities Commissioner as an investment adviser representative of Respondent Wealth Solutions.
7. Nonetheless, Respondents sold the Cole Credit REIT shares to clients, many of whom were teachers and retired teachers, for \$10.00 per share instead of for \$9.30 per share.

8. As a result, Respondents received the 7% sales commission in addition to later charging clients a 1% annual management fee on investment assets, including the Cole Credit REIT shares.
 9. Had Respondents designated on the subscription agreement that the Cole Credit REIT shares were sold by an investment adviser representative of Respondent Wealth Solutions, certain clients would have owned more shares for the same initial investment.
 10. Accordingly, the compensation structure of the Cole Credit REIT raised a conflict of interest between Respondents and the clients.
 11. Respondents' failures to disclose to clients the ability to purchase the Cole Credit REIT shares for \$9.30 per share constitute inequitable practices in the rendering of services as an investment adviser. Furthermore, Respondents' intentional failures to disclose to clients the ability to purchase the Cole Credit REIT shares for \$9.30 per share were intentional failures to disclose a material fact, and thus constitute fraudulent business practices and fraudulent practices in connection with the rendering of services as an investment adviser and investment adviser representative.
 12. Respondents' failures to disclose the conflict of interest presented by the Cole Credit REIT's compensation structure constitute inequitable practices in the rendering of services as an investment adviser. Furthermore, Respondents' intentional failures to disclose to clients the conflict of interest presented by the Cole Credit REIT's compensation structure were intentional failures to disclose a material fact, and thus constitute fraudulent business practices and fraudulent practices in connection with the rendering of services as an investment adviser and investment adviser representative.
 13. Respondents, as investment adviser and investment adviser representative, owed fiduciary duties to the clients to act in the clients' best interests.
 14. By choosing to sell the shares of the Cole Credit REIT to clients for \$10.00 per share instead of for \$9.30 per share, Respondents placed their interests ahead of the clients' interests.
 15. Therefore, Respondents breached the fiduciary duties owed to the clients.
 16. Respondents' breaches of the fiduciary duties owed to the clients constitute fraudulent business practices and fraudulent practices in connection with the rendering of services as an investment adviser and investment adviser representative.
 17. Alternatively, Respondents' breaches of the fiduciary duties owed to the clients constitute inequitable practices in rendering services as an investment adviser.
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III. Legal Authority

1. Section 4.F of the Texas Securities Act states:

The terms "fraud" or "fraudulent practice" shall include any misrepresentations, in any manner, of a relevant fact; any promise or representation or prediction as to the future not made honestly and in good faith, or an intentional failure to disclose a material fact; the gaining, directly or indirectly, through the sale of any security, of an underwriting or promotion fee or profit, selling or managing commission or profit, so gross or exorbitant as to be unconscionable; any scheme, device or other artifice to obtain such profit, fee or commission; provided, that nothing herein shall limit or diminish the full meaning of the terms "fraud," "fraudulent," and "fraudulent practice" as applied or accepted in courts of law or equity.

2. Section 14 of the Texas Securities Act states in part:

(A) The Commissioner may ... revoke a registration issued under this Act, ... if the person: ...

(3) has engaged in any inequitable practice ... in rendering services as an investment adviser, or in any fraudulent business practice;

3. Pursuant to Section 14.A(3) of the Texas Securities Act, the aforementioned inequitable practices in rendering services as an investment adviser and fraudulent business practices are bases for the revocation of Respondents' registrations with the Securities Commissioner.

4. Section 23-1 of the Texas Securities Act states in part:

(A) After giving notice and opportunity for a hearing, the Commissioner may ... issue an order which assesses an administrative fine against any person ... found to have:

(1) engaged in fraud or a fraudulent practice in connection with:

(A) the rendering of services as an investment adviser or investment adviser representative;

5. Pursuant to Section 23-1 of the Texas Securities Act, the aforementioned fraud or fraudulent practices in connection with the rendering of services as an investment adviser or investment adviser representative constitute bases for the assessment of an administrative fine against Respondents.

IV. Relief Requested

Based on the foregoing allegations, the Staff requests that the Securities Commissioner issue an Order REVOKING Respondents' registrations with the Securities Commissioner and ASSESSING AN ADMINISTRATIVE FINE against Respondents of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00).

Pursuant to §105.13 of the Board Rules, the Staff respectfully requests that the State Office of Administrative Hearings order that all costs charged to the Texas State Securities Board by any court reporting service involved in this matter be assessed against Respondents.

You are invited to appear personally, with, without, or through counsel, and to present any and all evidence relating to the matters set forth in this Notice.

Signed this 14th day of March, 2013.



Tommy Green
Director of Inspections & Compliance

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been sent via certified mail to the Respondents, and to the Securities Commissioner's Representative by hand-delivery, done on this, the 14th day of March, 2013.

Wealth Solutions, Inc.
10333 Richmond Ave, Suite 970
Houston, TX 77042

VIA CERTIFIED MAIL #9171999991703062324281

Richard Blair
10333 Richmond Ave, Suite 970
Houston, TX 77042

VIA CERTIFIED MAIL #9171999991703062324274

Richard Blair
12902 Hacienda Ridge
Austin, TX 78738

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Marlene Sparkman
General Counsel
Securities Commissioner's Representative
Texas State Securities Board
208 E. 10th Street, 5th Floor
Austin, Texas 78701
Telephone: (512) 305-8300
Facsimile: (512) 305-8336

VIA HAND-DELIVERY



Clinton T. Edgar
Attorney
Inspections & Compliance Division