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# Texas State Securities Board

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MEMBER

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208 E. 10th Street, 5th Floor  
Austin, Texas 78701-2407  
www.ssb.state.tx.us

BRYAN K. BROWN  
MEMBER

IN THE MATTER OF THE  
INVESTMENT ADVISER  
REGISTRATION OF VERAS  
INVESTMENT PARTNERS, LLC  
AND THE INVESTMENT ADVISER  
REPRESENTATIVE REGISTRATIONS  
OF JAMES R. MCBRIDE AND  
KEVIN D. LARSON

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Order No. IC04-REV-03

TO: James R. McBride, Managing Member  
Veras Investment Partners, LLC (IARD # 117061)  
19855 Southwest Freeway, Suite 200  
Sugarland, TX 77479

James R. McBride (CRD # 4491833)  
Veras Investment Partners, LLC  
19855 Southwest Freeway, Suite 200  
Sugarland, TX 77479

Kevin D. Larson (CRD # 4491831)  
Veras Investment Partners, LLC  
19855 Southwest Freeway, Suite 200  
Sugarland, TX 77479

## CONSENT REVOCATION ORDER

Be it remembered that Veras Investment Partners, LLC ("Respondent Veras"), by and through, James R. McBride, its Managing Member, James R. McBride ("Respondent McBride"), individually, and Kevin D. Larson ("Respondent Larson"), individually, (collectively "Respondents") appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this Order, and without admitting or denying the Findings of Fact and Conclusions of Law contained herein, except Findings of Fact one through three which are deemed admitted.

JPA' EO-07

## FINDINGS OF FACT

1. Respondents have waived (a) Respondents' right to notice and hearing in this matter; (b) Respondents' right to appear and present evidence in this matter; (c) Respondents' right to appeal this Order; and (d) all other procedural rights granted to Respondents by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2004) ("Texas Securities Act"), and the Administrative Procedure Act, TEX. GOVT CODE ANN. §2001.001 et seq. (Vernon 2000 & Supp. 2004) ("Administrative Procedure Act").
2. On or about January 24, 2002, Respondents Veras and McBride registered with the Securities Commissioner as an investment adviser and investment adviser representative, respectively, which are currently effective.
3. From on or about August 19, 2002, to on or about December 31, 2002, Respondent Larson was registered with the Securities Commissioner as an investment adviser representative of Respondent Veras.  
  
On or about July 7, 2003, Respondent Larson registered with the Securities Commissioner as an investment adviser representative of Respondent Veras, which is currently effective.
4. Respondents McBride and Larson, are currently designated as managing members of Respondent Veras.
5. On or about October 21, 2003, Respondent Veras' business address as filed with the Securities Commissioner was 19855 Southwest Freeway, Suite 120, Sugarland, Texas.
6. On or about October 21, 2003, the staff from the Texas Securities Board's Inspections and Compliance Division (the "Staff"), arrived at 19855 Southwest Freeway, Suite 120, Sugarland, Texas, to conduct an unannounced inspection (the "Inspection") of Respondent Veras' books and records. The Staff discovered that Respondent Veras was not located at that address, but instead was located at 19855 Southwest Freeway, Suite 200, Sugarland, Texas.
7. On or about October 21 and 22, 2003, Respondent Veras provided the Staff with access to some of its books and records.
8. On or about October 22, 2003, Respondents' counsel, acting on behalf of Respondents, refused to provide answers to the Staff's questions about Respondent Veras' trading practices and procedures. Respondents' counsel also refused to allow Veras' employees to provide answer to the Staff's questions about their specific duties for Respondent Veras.
9. On or about October 21, 2003, the Staff discovered during the Inspection that Respondent McBride is also an agent of Windsor Place Partners and a managing member of McBride Group, LLC. Respondent McBride's Form U-4 filed with the Securities Commissioner does not disclose that Respondent McBride is engaged in any other business. The Form U-4 requires the disclosure of any other business conducted by the investment adviser representative, including any other business conducted by the investment adviser representative, either as a proprietor, partner, officer, director, employee, trustee, agent, or otherwise.
10. On or about October 23, 2003, through its counsel, Respondent Veras informed the Staff that it preserved all e-mail communications on its computers. The Staff

requested access to the e-mail communications stored on Respondent Veras' computers, but Respondent's counsel did not immediately provide the Staff with such access and cited, among other things, the existence of privileged e-mails.

11. On or about November 3, 2003, Respondent Veras, by and through counsel, provided the Staff with e-mail communications, but Veras' counsel did not provide the Staff with a complete copy of the e-mail communications maintained on Veras computers. Veras continues to assert that a number of the e-mails are covered by the attorney-client privilege.
12. Pursuant to Section 13-1.C(1) of the Texas Securities Act registered investment advisers are required to provide the Securities Commissioner or the Securities Commissioner's authorized representative with immediate and complete access to its office, files, and any other location in which books and records pertinent to the inspection are located.
13. Pursuant to Section 116.5(e) of the Rules and Regulations of the Texas Securities Board ("Board Rules") the Securities Commissioner has a right to review all records maintained by registered investment advisers regardless of whether such records are required to be maintained under any specific applicable rule provision.
14. On or about October 21, 2003, Respondent Veras' Form ADV filed with the Securities Commissioner listed that Respondent Veras had zero (\$0) dollars in assets under its management. The Staff discovered during the Inspection that Respondent Veras actually had approximately one billion (\$1,000,000,000.00) dollars in assets under its management.
15. The Form ADV requires an investment adviser to disclose the dollar amounts of assets under its management.
16. On or about October 21, 2003, Respondent Veras' Form ADV filed with the Securities Commissioner listed three (3) limited partnerships in which it, or a related person, is a general partner, including: (1) Veras Investment Group, LP; (2) Veras Capital Partners, LP; and (3) Veras Capital Partners (QP), LP.  

The Staff discovered during the Inspection that Respondent Veras, or a related person, is actually the general partner of eleven (11) investment-related limited partnerships, including: (1) Veras Investment Group, LP; (2) Veras Capital Partners, LP; (3) Veras Capital Partners (CAP), LP; (4) Windsor Place Partners, L.P.; (5) Grand Parkway Partners, L.P.; (6) VLS Partners, L.P.; (7) BT Group, L.P.; (8) Mission Group, L.P.; (9) Hillcrest Associates, L.P.; (10) EH Associates, L.P.; and (11) GM Management, L.P.
17. Pursuant to Section 116.9(a)(6) of the Board Rules, registered investment advisers and investment adviser representatives are required to disclose to the Securities Commissioner, within thirty (30) days, of any change in information previously disclosed to the Securities Commissioner on any application form or filing, which includes the Form ADV and Form U-4.
18. Pursuant to Sections 101.2(c) and 133.33 of the Board Rules, certain forms required to be filed with the Securities Commissioner, including the Form ADV and Form U-4, have been adopted as Board Rules.

19. The Staff discovered during the Inspection that from on or about January 1, 2003, to on or about July 7, 2003, Respondent Larson managed hedge funds for Respondent Veras, at a time that Respondent Larson was not registered with the Securities Commissioner as an investment adviser representative of Respondent Veras.
20. Pursuant to Section 12.B of the Texas Securities Act a person may not act or render services as an investment adviser representative for a certain investment adviser in Texas unless the person is either registered with the Securities Commissioner or submits a notice filing with the Securities Commissioner as an investment adviser representative for that particular investment adviser.

#### CONCLUSIONS OF LAW

1. Because the Staff did not receive immediate and complete access to the e-mail communications maintained on Respondent Veras' computers, Respondent Veras was in violation of Section 13-1.C(1) of the Texas Securities Act.
2. Respondent Veras failed to furnish information deemed necessary by the Securities Commissioner to determine Respondent Veras' business repute and qualifications.
3. Respondent Veras' failure to update its Form ADV and Respondent McBride's failure to update his Form U-4 within thirty (30) days of any change in information previously disclosed to the Securities Commissioner are violations of Section 116.9(a)(6) of the Board Rules.
4. Respondent Larson rendered investment advisory services for Respondent Veras at a time that Respondent Larson was not registered with the Securities Commissioner as an investment adviser representative of Respondent Veras in violation of Section 12.B of the Texas Securities Act.
5. Pursuant to Sections 14.A(5), 14.A(6), and 14.A(7) of the Texas Securities Act, the foregoing violations constitute bases for the issuance of an order revoking the registrations of an investment adviser and investment adviser representatives.

#### ORDER

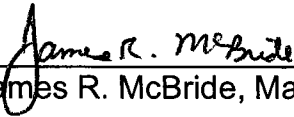
It is therefore ORDERED that the investment adviser registration of Veras Investment Partners, LLC and the investment adviser representative registrations of James R. McBride and Kevin D. Larson are hereby REVOKED as of the date this Order is signed by the Securities Commissioner.

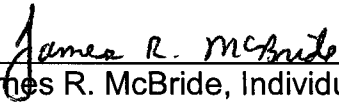
SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 24<sup>th</sup>  
day of February, 2004.

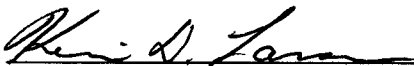
  
DENISE VOIGT CRAWFORD  
Securities Commissioner

Respondents:

Veras Investment Partners, LLC


  
James R. McBride, Managing Member

  
James R. McBride, Individually

  
Kevin D. Larson, Individually

Approved as to Form:

  
Benette L. Zivley  
Director  
Inspections and Compliance Division

  
Robert H. Pees  
Attorney for Respondents

**ACKNOWLEDGMENT**

On the 23<sup>rd</sup> day of February, 2004, Veras Investment Partners, LLC ("Respondent Veras"), by and through James R. McBride, its Managing Member, personally appeared before me, executed the foregoing Order and acknowledged that:

1. James R. McBride is duly authorized to enter into the foregoing Order on behalf of Respondent Veras;
2. James R. McBride has read the foregoing Order;
3. Respondent Veras has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent Veras knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and,
5. Respondent Veras, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.



[affix notary seal here]

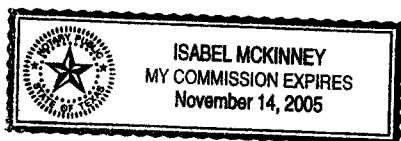
Isabel McKinney  
Notary Public in and  
for the State of Texas

My commission expires on: Nov. 15, 2005

**ACKNOWLEDGMENT**

On the 23<sup>rd</sup> day of February, 2004, James R. McBride ("Respondent McBride") personally appeared before me, executed the foregoing Order and acknowledged that:

1. Respondent McBride has read the foregoing Order;
2. Respondent McBride has been fully advised of his rights under the Texas Securities Act and the Administrative Procedure Act;
3. Respondent McBride knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and,
4. Respondent McBride, by consenting to the entry of the foregoing Order has knowingly and voluntarily waived his rights as set forth therein.



[affix notary seal here]

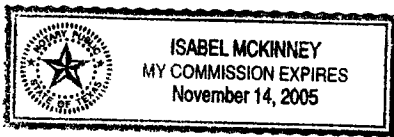
Isabel McKinney  
Notary Public in and  
for the State of Texas

My commission expires on: Nov. 14, 2005

**ACKNOWLEDGMENT**

On the 23<sup>rd</sup> day of February, 2004, Kevin D. Larson ("Respondent Larson") personally appeared before me, executed the foregoing Order and acknowledged that:

1. Respondent Larson has read the foregoing Order;
2. Respondent Larson has been fully advised of his rights under the Texas Securities Act and the Administrative Procedure Act;
3. Respondent Larson knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and,
4. Respondent Larson, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived his rights as set forth therein.



[affix notary seal here]

Isabel McKinney  
Notary Public in and  
for the State of Texas

My commission expires on: Nov. 14, 2005