

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.
Callie A. Baker, Esq.
Texas State Securities Board
208 E. 10th Street, Suite 610
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, Suite 610
Austin, Texas 78701
Telephone: (512) 305-8300
Facsimile: (512) 305-8336

Legal authority and jurisdiction for this matter exist under Sections 23, 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 (the "Staff") will present evidence in support of its request that Respondent be **ASSESSED AN ADMINISTRATIVE FINE** and that Respondent be ordered to **CEASE AND DESIST** engaging in unregistered activity.

The evidence presented by the Staff will prove the following:

I. Registrations Summary

1. Respondent is a natural person whose last known residential address is 6018 Windcrest Court, Weatherford, Texas 76087.
2. From November 22, 2002 to November 24, 2004, Respondent was registered with the Securities Commissioner as an agent of Cambridge Investment Research, Inc.
3. Respondent has never been registered with the Securities Commissioner as an investment adviser or an investment adviser representative.

II. Referral of Clients to a State-Registered Investment Adviser

4. During the period from May 2010 to the present, Respondent has solicited potential clients for Fuller Capital Management LLC ("FCM"), which is an investment adviser registered with the Securities Commissioner.
5. Pursuant to a written agreement with FCM, Respondent was authorized to solicit clients for FCM and compensated for each solicitation resulting in a client relationship with FCM. Specifically, FCM agreed to pay Respondent 35% of the asset management fees collected by FCM from each client Respondent solicited.
6. The clients solicited by Respondent for FCM paid annual asset management fees ranging from .65% to 1% of the assets under FCM's management. Such fees were collected by FCM on a quarterly basis. Thereafter, Respondent was paid a portion of the fees on an annual basis.
7. To date, Respondent has successfully solicited seven (7) clients for FCM and received approximately \$29,100 from FCM based on Respondent's agreement with FCM.
8. Section 4.P of the Texas Securities Act defines an "investment adviser representative", in part, as "each person or company who, for compensation, is employed, appointed, or authorized by an investment adviser to solicit clients for the investment adviser."
9. From May 2010 to the present, Respondent has been an "investment adviser representative" of FCM as the term "investment adviser representative" is defined by Section 4.P of the Texas Securities Act.
10. Section 12.B of the Texas Securities Act, in part, prohibits a person from acting as an investment adviser representative for a certain investment adviser in Texas unless the person is registered as an investment adviser representative for that particular investment adviser.

11. Respondent violated Section 12.B of the Texas Securities Act by acting as an investment adviser representative for FCM when Respondent was not registered as an investment adviser representative of FCM.
12. Pursuant to Section 23.A of the Texas Securities Act, Respondent's actions as an investment adviser representative in violation of the Texas Securities Act constitute bases for the issuance of an order prohibiting Respondent from acting as an investment adviser representative in violation of the Texas Securities Act.
13. Pursuant to Section 23-1 of the Texas Securities Act, Respondent's violations of Section 12.B constitute bases for the assessment of an administrative fine against Respondent.

III. Legal Authority

14. 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.

15. Section 23.B of the Texas Securities Act states:

If it appears to the commissioner at any time that an investment adviser or investment adviser representative is engaging in or is likely to engage in fraud or a fraudulent practice with respect to rendering services as an investment adviser or investment adviser representative or that a person is acting as an investment adviser or investment adviser representative in violation of this Act, the Commissioner may hold a hearing not later than the 30th day after the date on which the person receives actual notice or is provided notice by registered or certified mail, return receipt requested, to the person's last known address. After the hearing, the Commissioner shall issue or decline to issue a cease and desist order. An order issued under this subsection must:

- (1) Require the investment adviser or investment adviser representative to immediately cease and desist from the fraudulent conduct; or
- (2) Prohibit an unregistered or other unauthorized person who is not exempt from the registration or notice filing requirements of this Act from acting as an investment adviser or investment adviser representative in violation of this Act.

16. 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:

(3) engaged in an act or practice that violates this Act or a Board rule or order;

17. Pursuant to Section 23-1.B(1) of the Texas Securities Act, the Respondent may be assessed an administrative fine in an amount that is the greater of \$20,000 per violation or the gross amount of any economic benefit gained as a result of the act or practice for which the fine was assessed.

IV. Relief Requested

Based on the foregoing allegations, the Staff requests that the Securities Commissioner issue an Order:

1. ASSESSING AN ADMINISTRATIVE FINE against Respondent; and
2. Ordering Respondent to CEASE AND DESIST from engaging in activity as an investment adviser representative in violation of the Texas Securities Act.

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 5th day of May, 2016.



Tommy D. Green
Inspections and Compliance Division

CERTIFICATE OF SERVICE


I hereby certify that true and correct copies of the foregoing have been sent via certified mail to the Respondent, and to the Securities Commissioner's Representative by hand-delivery, done on this, the 5th day of May, 2016.

Ralph W. Lillard
2109 Old Dicey Road
Weatherford, TX 76085

VIA CERTIFIED MAIL

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



Ronak V. Patel
State Bar No. 24037241