



A Publication of the Texas State Securities Board  
Regulating the securities industry and  
protecting investors since 1957



For Investors

## THE YEAR IN ENFORCEMENT: 2019

In 2019, the Texas State Securities Board took enforcement actions that resulted in the repayment of \$2.58 million to investors and \$575,000 in fines paid to the State of Texas.

The funds returned to investors came through administrative orders, a civil court forfeiture order, and rescission offers the State Securities Board negotiated with firms and individuals.

In criminal enforcement, the State Securities Board investigated and assisted in the indictment of 13 individuals in state district and federal courts. The cases involve more than \$30 million in alleged investment fraud.

The State Securities Board also assisted in the prosecution and conviction of eight individuals.

Notably, State Securities Board enforcement attorneys were appointed special prosecutors to assist the Wichita County District Attorney's Office in the conviction of oil and gas investment promoter [Daniel C. Walsh](#), who was sentenced to 18 years in state prison.

“The agency works in criminal and civil cases, administrative proceedings, and on a national level in collaboration with other states,” said Texas Securities Commissioner Travis J. Iles. “In all venues, our staff demonstrates the commitment and expertise that is needed to protect investors in an increasingly complex financial world.”

### Administrative Orders

33 Administrative orders

- 9 cryptocurrency
- 9 oil and gas

\$575,000 in fines paid to State of Texas

\$455,143 ordered repaid to clients

1 revocation of an investment adviser

1 revocation of investment adviser representative

1 suspension

### Criminal Cases

13 individuals indicted

8 individuals convicted

24 years in prison sentences

24 years' probation/deferred adjudication

\$512,362 in restitution ordered



## Not-So-Precious Metals

The largest total repaid to Texas investors came from **Metals.com**, which has been [sanctioned by Texas and six other state securities regulators](#) for illegal and fraudulent practices in encouraging investors to liquidate their retirement savings and invest the proceeds in precious metals.

Texas was the first state regulator to enter an order against the company, which allegedly operates a sophisticated cold-calling operation from Beverly Hills, Calif.

Under the terms of a July 1, 2019, [Order](#), Metals.com agreed to offer a full refund to 84 Texas investors, most of whom are elderly. According to a [previous emergency action](#) against Metals.com, the company warned potential investors that their money isn't safe at registered brokers and investment advisers and advised them to move their funds into precious metals investments.

Metals.com has paid \$1,810,807 to Texas investors as part of the rescission offer.

Other payments to investors are being made through administrative orders against registered individuals and firms.

The Securities Commissioner on Oct. 31, 2019, entered a [Disciplinary Order](#) that requires **Jason Hyson LeBlanc**, an investment adviser representative for **Vere Global Wealth Management**, to repay \$366,218 to individuals who bought unsecured promissory notes he sold to fund a Fort Bend County coffee shop.

LeBlanc's wife was a part-owner of the coffee shop, located in Fulshear. LeBlanc sold the notes while working at another firm, which fired him because he didn't disclose the sale of notes or tell the firm he held corporate positions with the company that owned the coffee shop.

LeBlanc failed to disclose the full extent of his activities with the corporate owner of the coffee shop when he registered with the Securities Commissioner as an adviser representative of Vere Global Wealth Management.

## Collaborative Enforcement

The State Securities Board is a national leader in securities enforcement.

Texas led the effort by U.S. state and Canadian provincial regulators in cracking down on suspect cryptocurrency offerings.

The Enforcement Division provided investigative assistance to other states that sanctioned precious metals company Metals.com.

In Texas in 2019, the TSSB worked with prosecutors and law enforcement agencies including U.S. Attorney Offices for the Western and Northern Districts of Texas and in the Texas counties of:

- |         |              |
|---------|--------------|
| Bexar   | Fort Bend    |
| Brazos  | Harris       |
| Collin  | San Patricio |
| Coryell | Wichita      |



**Clair Crossland**, the president of **LFS RIA LLC**, a Dallas investment advisory firm, repaid \$88,933 to clients who had purchased stream-of-income investments tied to the payouts from pensions. In the **[Disciplinary Order](#)** entered against Crossland, the Securities Commissioner determined that Crossland didn't understand the complexities of the investments and the risks they posed to his clients.

Administrative orders resulted in \$575,000 deposited into the general revenue fund of the State of Texas. **[LPL Financial paid \\$450,000](#)** to Texas as part of a national settlement over the brokerage firm's widespread regulatory failures that allowed the sale of unregistered and non-exempt equities and fixed-income securities to its clients.

Investors in 2019 also received funds from a civil case that grew out of a criminal prosecution.

A **[forfeiture order](#)** in San Patricio County District Court returned \$317,608 to six victims of Gabriel Claudio Jr., who stole funds from clients of his unregistered financial services in Corpus Christi.

The forfeiture order recovered a small portion of the money Claudio stole from his clients. He was sentenced to 25 years in state prison in 2018 and ordered to pay \$2.7 million in restitution to investors.

### **Oil and Gas: Longstanding Frauds, New Scams**

Nine of the 33 administrative orders in 2019 involved offerings of oil and gas investments.

Promoters of fraudulent oil and gas schemes have targeted Texas investors since Spindletop, but their methods have evolved greatly over the past 120 years.

In 2019, a company called **Timeless Protect LLC** emerged with the bold claim that it could remove the risk in oil and gas investing. The company offered an "absolute guarantee" that Texas investors would not lose their principal investment even if a well did not produce any oil or natural gas.

### **2020 Top Investor Threats**

Recognize fraudulent and inappropriate investment offerings with the State Securities Board's **[Top Investor Threats](#)**.

**Top Threats 2020** will help you identify common threats and learn what questions to ask and steps to take to safeguard your financial wellbeing.



Timeless Protect, with offices in Florida and Canada, said it would guarantee investors' principal by managing investor funds in an insured trust account.

The guarantee itself was far from timeless.

According to [three emergency cease and desist orders](#) entered against Timeless Protect and associated companies in November 2019, the company was enrolling investors in a "Cash Back" program, depositing their funds in a trust account, and commingling those funds with money obtained from other sources.

The company also concealed material information regarding its management and use of principal investment funds.

The Enforcement Division proactively monitors investment offerings on the internet and other channels to try to halt fraudulent offerings as quickly as possible.

Three promoters named in one of the Timeless Protect orders provided evidence that they made only one sale before being served with the emergency order. The promoters did not challenge the order, which became final in January 2020.

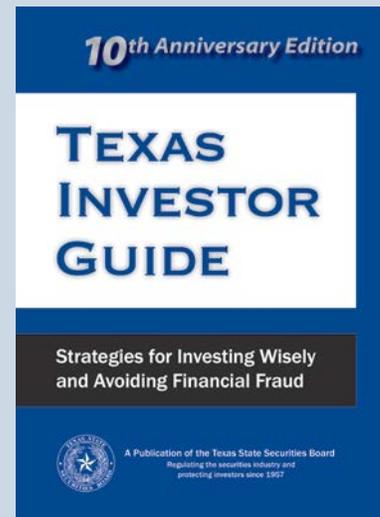
### **Cryptocurrency: Virtually Risky**

The Securities Commissioner entered nine administrative orders in cases involving suspect cryptocurrency-related offerings.

Texas was the first state securities regulator to enter an enforcement order against a cryptocurrency firm – in December 2017 – and to date the Securities Commissioner has entered 26 administrative orders involving 79 individuals and entities.

In 2019, the State Securities Board completed its [second regulatory sweep](#) of cryptocurrency offerings. Over five months, the Securities Commissioner entered six emergency cease and desist orders against individuals and firms making fraudulent offerings to Texas investors.

### **Order the 2020 Texas Investor Guide**



The 10<sup>th</sup> anniversary edition is fresh, factual, and fully updated for 2020. And free.

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The second sweep started in June 2019 in response to the price of bitcoin nearly tripling in the prior three months.

The same pattern emerged as in the Enforcement Division's first regulatory crackdown, in 2018, of cryptocurrency-related offerings.

Media and investor interest were spurred by fluctuations in the price and market value of various cryptocurrencies, which in turn led promoters of cryptocurrency investments to fraudulently use online advertisements, social media, and other public solicitations to attract Texas investors.



For more information on the State Securities Board's policing of cryptocurrency-related investments, read [The Investor's Guide to Cryptocurrency Offerings](#)

Cryptocurrency-related cases are now a staple of the State Securities Board's enforcement work.

In the fiscal year ended Aug. 31, 2019, 30% of the investigations opened by the Enforcement Division involved cryptocurrency offerings.

### Elder Financial Exploitation

Investigations into elder financial fraud are also increasing due to a 2017 state law requiring financial firms to report the suspected financial exploitation of a vulnerable adult. A vulnerable adult is defined as a person 65 or older or having a cognitive disability.

The Securities Commissioner's emergency cease and desist order against Metals.com arose from a report of suspected financial exploitation of an 80-year-old Dallas woman. The report was filed by a registered firm where the woman was a client. The firm said it believed

### Self-Directed IRAs: More Choice, More Risk

Investigate before you invest with the Investor Alert, [Self-Directed IRAs: More Choice, More Risk](#).

Self-directed IRAs allow savers to invest in a broad range of "alternative assets" such as precious metals, real estate, cryptocurrencies, and private placement securities.

Expanding your retirement investing beyond stocks and bonds gives you more options, but more risk. The more unconventional the assets, the harder it is to understand them, their costs and fees, and their tax consequences.



the woman did not understand the investment opportunity Metals.com presented to her.

State regulators have sanctioned Metals.com for providing unregistered investment advice and misleading investors about the value of the metals they are purchasing.

The State Securities Board has developed a comprehensive system for reviewing, evaluating, and managing hundreds of reports, ensuring that the agency is able to quickly investigate suspected financial exploitation and protect elderly victims.

In the fiscal year ended Aug. 31, 2018, the State Securities Board received 128 reports of suspected elder financial fraud, followed by 215 reports in the next fiscal year.