



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



For Investors

BLIND FAITH, FRAUD, AND MILLIONS OF DOLLARS LOST

2018 Enforcement Report

Feb. 7, 2019

When it comes to investing, blind faith can be very expensive.

In Dallas, **Juan Miguel Lopez** attracted millions of dollars in investment for his companies by touting his rise from a cash-strapped Mexican immigrant to a wealthy, influential businessman.

Timothy Lloyd Booth was a pastor at a church in McKinney when he started selling investment contracts in a supposedly valuable internet advertising company.

Gabriel Claudio Jr. operated a namesake financial services firm in Corpus Christi, promising “safe solutions for your money” to his clients in South Texas.

All three men told a compelling story. All told, they absconded with tens of millions of dollars from investors. And all three are currently serving lengthy prison sentences, the result of criminal cases in which the State Securities Board assisted in securing convictions.

In 2018, the State Securities Board investigated and assisted in the prosecution of 12 individuals, resulting in prison sentences totaling 244 years, community supervision of 38 years, and orders of restitution of \$13.2 million.

Criminal Cases

- 244 years in prison sentences
- 38 years community supervision
- \$13.2 million in restitution ordered
- 12 individuals convicted
- 16 individuals indicted

Administrative Actions

- 27 administrative orders
16 of the orders in cases with cryptocurrency-related offerings
- 2 suspensions totaling 150 days
- \$68,000 in fines



The State Securities Board also assisted in the indictment of 16 individuals in 2018. In November, [Philip Michael Carter of Frisco and Richard Tilford of Fort Worth](#) were indicted on securities fraud charges in Collin County in connection with a real estate development fraud involving the misappropriation of millions of dollars in investor funds and a network of shell companies.

In January 2019 the [SEC sued](#) Carter, Tilford, and another individual involved in the alleged fraud. The SEC said entities controlled by Carter have cost investors at least \$44 million.

Key Ally for Law Enforcement

The State Securities Board provides investigative, financial, and prosecutorial assistance to state and federal prosecutors.

Working with the State Securities Board, the Dallas County District Attorney's Office [prosecuted Lopez](#), who was sentenced on Dec. 7 to 79 years in prison – one year for each of the victims he defrauded in a scheme that robbed investors of nearly \$5 million.

Lopez promised investors, most of whom are Hispanic and some, like Lopez, born in Mexico, that they would earn unrealistically high *monthly returns* of up to 8% by purchasing business contracts to fund small business loans.

In other cases, enforcement attorneys served as special prosecutors. There were seven such cases in 2018, including:

- [Claudio](#) was sentenced in Jim Wells County to 25 years – and ordered to pay \$2.7 million in restitution – for stealing funds his clients thought they were investing in annuities and other products;
- [Ronald Terry Dunn](#), a former registered securities agent, was sentenced in Tarrant County to 25 years for stealing hundreds of thousands of dollars from clients he convinced to liquidate legitimate investments and transfer the money to him for “better” investments;

Elder Financial Fraud

In August, the Commissioner entered an [Emergency Cease and Desist Order](#) against a computer repairman who transferred nearly \$28,000 from a financial account of an 88-year-old man in Del Rio. It was the first administrative action taken since a 2017 law that provides additional protections for elderly Texans and vulnerable adults who may be the victim of financial scams.

Reporting of suspected financial exploitation is required under [Section 45 of the Texas Securities Act](#).

NOTE: The TSSB has developed a [form](#) to help financial firms report critical information about potential fraud.



- [Booth](#) was sentenced in Collin County to 68 years for stealing more than \$2 million from individuals – most of them elderly – who invested in Stamedia Inc., an internet advertising company he falsely claimed held a valuable patent and big-dollar corporate contracts; and
- [Everett Craig Williams](#) was sentenced in Nueces County to 20 years in prison for a fraudulent real estate scheme.

Oil and Gas Fraud

Promoters of fraudulent oil and gas schemes continue to present a danger to Texas investors.

The State Securities Board assisted in the prosecution of [James Dean French](#) in Harris County. French was sentenced to eight years in state prison after pleading guilty to securities fraud in connection with the sale of investments in a West Texas oil and gas project.

In other cases, attorneys and investigators also helped secure indictments in state courts of five individuals accused of fraud in the sale of oil and gas-related investments.

In administrative actions, the Securities Commissioner entered an Emergency Cease and Desist Order against [two Dallas men](#) who were soliciting \$4.4 million for an oil and gas project without disclosing their histories of unpaid tax liens and previous allegations of fraud. An agreed cease and desist order was entered to stop a [Midland promoter](#) from illegally selling investment interests in an oil and gas venture.

Anonymous Fraud of the Internet

Promoters of cryptocurrency-related offerings are taking advantage of the anonymity of the internet to attract victims, weaponizing social media to connect with investors in Texas.

In 2018, Commissioner Travis J. Iles entered 16 administrative orders against promoters of suspect cryptocurrency investments who were using online advertisements, social media, and other solicitations to

Collaborative Law Enforcement

In 2018, the TSSB worked with prosecutors and law enforcement agents in the **U.S. District Courts for the Southern and Western Districts** and in these counties:

Bexar
Collin
Dallas
Fort Bend
Gregg
Harris
Jim Wells
Nueces
Tarrant

Cryptocurrency Resources

The TSSB's regularly updated [Cryptocurrency Resources](#) page includes:

- Administrative orders;
- Investor Alerts;
- Video, including FTC and CFTC webcasts on cryptocurrency fraud;
- Special enforcement reports on trends in cryptocurrency offerings; and
- A cryptocurrency glossary

www.ssb.texas.gov/cryptocurrency-resources



attract Texas investors. The orders cited a total of 60 individuals and entities.

None of the individuals or firms were registered to sell securities in Texas.

These actions included an emergency proceeding brought Jan. 4 against BitConnect, an offshore multilevel marketing company that raised capital for a sham cryptocurrency trading program.

The emergency action effectively shut down the scam, as BitConnect almost immediately lost 99% of its market capitalization of \$2.6 billion.

Some international cryptocurrency promoters even found sales agents in the oil patch. According to a Nov. 6 emergency action taken against an Australian promoter of cryptocurrency mining contracts, the firm's sales agents included members of the West Texas Oilfield Cloud Miners Club in Midland.

Actions Against Registered Firms

The State Securities Board conducts compliance examinations of investment advisory firms and can impose administrative penalties that include fines, suspensions, revocation of securities licenses, and cease and desist orders.

The Securities Commissioner imposed fines totaling \$68,000 in orders citing five firms and individuals, among them:

- [Brazos Securities Inc.](#), a Dallas investment adviser, was sanctioned for charging excessive fees to a client it had moved into an advisory account from a brokerage account at the firm. The firm paid a \$20,000 fine to the State of Texas and paid \$32,569 to the client to whom it had charged excessive fees over a four-year period; and
- [Trade-PMR Inc.](#), a provider of trading platform and technology services to independent investment advisers, paid a \$25,000 fine to the State of Texas for allowing two advisers to use its services when they were not registered to render investment advice in Texas.

Fully updated for 2019, the [Texas Investor Guide](#) provides unbiased, no-nonsense guidance to help you invest wisely and avoid financial fraud.

For free copies, send a mailing address to Robert Elder, Director of Communications and Investor Education, at relder@ssb.texas.gov.



The Commissioner suspended two registered individuals.

One, [Jason N. Anderson](#), a Beaumont investment adviser representative, was suspended for 90 days for charging unreasonable fees to clients. Anderson, while registered as an agent of a previous employer, recommended an active stock-trading strategy to clients who had stated their preference for growth with moderate risk.

The active-trading strategy would have had to generate extraordinarily high returns to offset the trading costs and commissions paid to Anderson. One client's costs were nearly 30% of the equities held in the account.

The second, Mohamed H. Eldawy, was suspended for 60 days for failing to disclose that he had been terminated by a previous employer for allegedly using a personal e-mail account to solicit clients for his investment advisory and insurance businesses.

For More Information

Contact Robert Elder, Director of Communications and Investor Education, at relder@ssb.texas.gov.

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