

# *Texas State Securities Board*



## **ANNUAL FINANCIAL REPORT TO THE GOVERNOR**

For The  
**FISCAL YEAR**  
**SEPTEMBER 1, 2018 – AUGUST 31, 2019**



*Texas State Securities Board*

**ANNUAL FINANCIAL REPORT**

**For the Year Ended August 31, 2019**



TRAVIS J. ILES  
SECURITIES COMMISSIONER



CLINTON EDGAR  
DEPUTY SECURITIES COMMISSIONER

Mail: P.O. BOX 13167  
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## Texas State Securities Board

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Austin, Texas 78701-2407  
www.ssb.texas.gov

E. WALLY KINNEY  
CHAIR

MIGUEL ROMANO, JR.  
MEMBER

KENNY KONCABA  
MEMBER

ROBERT BELT  
MEMBER

MELISSA TYROCH  
MEMBER

November 20, 2019

Honorable Greg Abbott, Governor  
Honorable Dan Patrick, Lieutenant Governor  
Honorable Dennis Bonnen, Speaker of the House  
Honorable Glenn Hegar, Texas Comptroller  
Sarah Keyton, Assistant Director, Legislative Budget Board  
John McGeedy, Assistant Director, Legislative Budget Board  
Lisa Collier, First Assistant State Auditor

Ladies and Gentlemen:

We are pleased to submit the annual financial report of the Texas State Securities Board for the year ended August 31, 2019, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this Statement. The financial report will be considered for audit by the state auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report* (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Derek Lauterjung, at (512) 305-8321. Thank you for your time, consideration, and service.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Iles", written over a faint circular stamp.

Travis J. Iles  
Securities Commissioner

Enclosure  
TI/dl



# *Texas State Securities Board*

## ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2019

### MEMBERS OF THE BOARD

August 31, 2019

E. Wally Kinney, Chair.....	Comfort
Miguel Romano, Jr., Member.....	Austin
Kenny Koncaba, Member.....	Friendswood
Robert R. Belt, Member.....	Houston
Melissa Tyroch, Member.....	Belton





# STATE SECURITIES BOARD

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### IV. ADDENDA

**I. COMBINED FINANCIAL STATEMENTS**



**A. Exhibit I: Combined Balance Sheet/Statement of Net Assets - Governmental Funds**

**B. Exhibit II: Combined Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities - Governmental Funds**

**C. Exhibit VI: Combined Statement of Fiduciary Net Assets**

**STATE SECURITIES BOARD (312)****Exhibit I – Combined Balance Sheet/Statement of Net Assets – Governmental Funds**

August 31, 2019

General  
Funds**ASSETS**

Current Assets:	
Cash and Cash Equivalents:	
Legislative Appropriations	1,170,275.94
Consumable Inventories	<u>23,664.27</u>
Total Current Assets	<u>1,193,940.21</u>
Non-Current Assets:	
Capital Assets Note 2:	
Depreciable:	
Furniture and Equipment	
Less Accumulated Depreciation	
Amortizable:	
Computer Software-Intangible	
Less Accumulated Amortization	
Total Non-Current Assets	<u>0.00</u>
Total Assets	<u>1,193,940.21</u>

**LIABILITIES AND FUND BALANCES**

Liabilities:	
Current Liabilities:	
Payables From:	
Accounts	166,224.89
Payroll	686,498.61
Due to Other Agencies	<u>0.00</u>
Employees Compensable Leave (Note 5)	
Total Current Liabilities	<u>852,723.50</u>
Non-Current Liabilities:	
Employees Compensable Leave (Note 5)	
Total Non-Current Liabilities	<u>0.00</u>
Total Liabilities	<u>852,723.50</u>

**FUND FINANCIAL STATEMENT**

Fund Balances (Deficits)	
Nonspendable	23,664.27
Assigned	0.00
Unassigned	35,913.33
Other Changes	<u>281,639.11</u>
Total Fund Balances	<u>341,216.71</u>
Total Liabilities and Fund Balances	<u>1,193,940.21</u>

**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

Net Assets:	
Invested in Capital Assets, Net of Related Debt	
Unrestricted	
Total Net Assets	

**STATE SECURITIES BOARD (312)**

**Exhibit I – Combined Balance Sheet/Statement of Net Assets – Governmental Funds**

August 31, 2019

<u>Capital Assets Adjustments</u>	<u>Long-Term Liabilities Adjustments</u>	<u>Other Adjustments</u>	<u>Statement Of Net Assets</u>
			1,170,275.94
			<u>23,664.27</u>
			<u>1,193,940.21</u>
93,575.79			93,575.79
(79,059.22)			(79,059.22)
9,073.80			9,073.80
<u>(9,073.80)</u>			<u>(9,073.80)</u>
<u>14,516.57</u>			<u>14,516.57</u>
<u>14,516.57</u>			<u>1,208,456.78</u>
			166,224.89
			686,498.61
			0.00
	<u>478,260.66</u>		<u>478,260.66</u>
	<u>478,260.66</u>		<u>1,330,984.16</u>
	<u>327,789.79</u>		<u>327,789.79</u>
	<u>327,789.79</u>		<u>327,789.79</u>
	<u>806,050.45</u>		<u>1,658,773.95</u>
			23,664.27
			0.00
			35,913.33
			<u>281,639.11</u>
			<u>341,216.71</u>
14,516.57			14,516.57
	(806,050.45)		(806,050.45)
			<u>(450,317.17)</u>

**STATE SECURITIES BOARD (312)**

**Exhibit II – Combined Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities – Governmental Funds**

For the Fiscal Year Ended August 31, 2019

	General <u>Funds</u>
<b>REVENUES</b>	
Legislative Appropriations:	
Original Appropriations (GR)	7,014,451.00
Additional Appropriations	1,596,777.43
Licenses, Fees and Permits	0.00
Sales of Goods and Services	117.61
Other (GR)	0.00
Total Revenues	<u>8,611,346.04</u>
<b>EXPENDITURES</b>	
Salaries and Wages	5,936,218.16
Payroll Related Costs	1,680,964.82
Professional Fees and Services	59,192.50
Travel	117,297.03
Materials and Supplies	111,561.76
Communication and Utilities	160,586.27
Repairs and Maintenance	26,565.10
Rentals and Leases	153,673.18
Printing and Reproduction	1,169.00
Other Expenditures	60,288.82
Capital Outlay	0.00
Depreciation Expense	0.00
Total Expenditures/Expenses	<u>8,307,516.64</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>303,829.40</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Gain (Loss) on Sale of Capital Assets	
Total Other Financing Sources (USES)	
<b>Net Change in Fund Balances/Net Position</b>	<u>303,829.40</u>
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>	
Fund Balances, September 1, 2018	59,577.60
Appropriations Lapsed	<u>(22,190.29)</u>
Fund Balances, August 31, 2019	<u>341,216.71</u>
<b>GOVERNMENT-WIDE STATEMENT - NET POSITION</b>	
Net Position/Net Change in Net Position	
Net Position, September 1, 2018	
Net Position, August 31, 2019	<u>341,216.71</u>



**STATE SECURITIES BOARD (312)**

**Exhibit II- Combined Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities – Governmental Funds**

For the Fiscal Year Ended August 31, 2019

<u>Capital Assets Adjustments</u>	<u>Long-Term Liabilities Adjustments</u>	<u>Statement Of Activities</u>
		7,014,451.00
		1,596,777.43
		0.00
		117.61
		<u>0.00</u>
<u>0.00</u>	<u>0.00</u>	<u>8,611,346.04</u>
	91,462.66	6,027,680.82
		1,680,964.82
		59,192.50
		117,297.03
		111,561.76
		160,586.27
		26,565.10
		153,673.18
		1,169.00
		60,288.82
		0.00
<u>7,379.88</u>		<u>7,379.88</u>
<u>7,379.88</u>	<u>91,462.66</u>	<u>8,406,359.18</u>
		204,986.86
<u>(7,379.88)</u>	<u>(91,462.66)</u>	<u>204,986.86</u>
		0.00
<u>0.00</u>		<u>0.00</u>
		<u>303,829.40</u>
		59,577.60
		<u>(22,190.29)</u>
		<u>341,216.71</u>
<u>(7,379.88)</u>	<u>(91,462.66)</u>	<u>(98,842.54)</u>
<u>21,896.45</u>	<u>(714,587.79)</u>	<u>(692,691.34)</u>
<u>14,516.57</u>	<u>(806,050.45)</u>	<u>(450,317.17)</u>

**STATE SECURITIES BOARD (312)**  
**Exhibit VI – Combined Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
 August 31, 2019

	Agency Funds (Ex J-1)
<b>ASSETS</b>	
Cash in State Treasury	840.00
Total Assets	<u>840.00</u>
<b>LIABILITIES</b>	
Funds Held for Others	840.00
Total Liabilities	<u>840.00</u>
<b>NET ASSETS</b>	
Total Net Assets	<u><u>0.00</u></u>

**II. NOTES TO THE FINANCIAL STATEMENTS**



**STATE SECURITIES BOARD (312)****NOTES TO THE FINANCIAL STATEMENTS****NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. ENTITY**

The State Securities Board is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*.

The State Securities Board was created in 1957 pursuant to "The Securities Act" passed by the 55<sup>th</sup> Legislature. This Act provides for the regulation of the sale of securities and the regulation of dealers, investment advisers, and their agents and representatives who sell securities or render investment advice. The State Securities Board is responsible for administering and enforcing the provisions contained in the Act. (For detailed information about the Board, refer to Section IV of this report.)

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this Statement. The financial report is considered for audit by the State Auditor as part of the audit of the State of *Texas Comprehensive Annual Financial Report*, therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

**B. FUND STRUCTURE**

The accompanying financial statements are presented on the basis of fund type, each of which is considered a separate accounting entity.

**GOVERNMENTAL FUND TYPES**General Fund (GAAP Fund Type 01)

The General Revenue Fund is used to account for all financial resources of the state except those required to be accounted for in another fund.

**STATE SECURITIES BOARD (312)**Capital Asset Adjustment Fund Type

The Capital Assets Adjustment fund is used to convert governmental fund types' capital assets from modified accrual to full accrual.

Long-Term Liabilities Adjustment Fund Type

Long-Term Liabilities Adjustment fund is used to convert governmental fund types' debt from modified accrual to full accrual.

**FIDUCIARY FUND TYPES**Agency Funds (GAAP Fund Type 09)

Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

**COMPONENT UNITS**

The State Securities Board has no component units.

**C. BASIS OF ACCOUNTING**

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund types that build the fund financial statements are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the period that they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end.

The State of Texas considers receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year for Fund Financial statements prepared on the modified accrual basis. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual basis of accounting. The following activities are recognized in these fund types:

- Capital assets
- Accumulated depreciation
- Unpaid employee compensable leave

**STATE SECURITIES BOARD (312)**

- The unmatured debt service on general long-term liabilities
- Long-term capital leases
- Long-term claims and judgments
- Full accrual revenues and expenses

**D. BUDGETS AND BUDGETARY ACCOUNTING**

The budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the Governor (*the General Appropriations Act*).

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

**E. ASSETS, LIABILITIES, AND FUND BALANCES/NET ASSETS****ASSETS**Consumable Inventories

Consumable inventories include supplies and postage on hand at year end. The consumption method of accounting is used to account for inventories and prepaid items that appear in the governmental fund types. The cost of these items is expensed when the items are consumed.

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost or, if any are purchased, as appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

**LIABILITIES**Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or non-current in the statement of net assets.

**STATE SECURITIES BOARD (312)****FUND BALANCE/NET ASSETS**

The difference between fund assets and liabilities is “Net Assets” on the government-wide, proprietary and fiduciary fund statements, and the “Fund Balance” is the difference between fund assets and liabilities on the governmental fund statements.

Fund Balance Components

Fund balances for governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned in the fund financial statements.

Nonspendable Fund Balance Component

The nonspendable fund balance includes amounts not available to be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted Fund Balance Component

The restricted fund balance includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.

Committed Fund Balance Component

The committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the Texas Legislature, the state’s highest level of decision making authority.

Assigned Fund Balance Component

The assigned fund balance includes amounts constrained by the state’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the Texas Legislature or a body (for example, a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance Component

The unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

**INTERFUND ACTIVITIES AND TRANSACTIONS**

The Agency has the following types of transactions between funds:

1. Transfers: Legally required transfers that are reported when incurred as ‘Transfers In’ by the recipient fund and ‘Transfers Out’ by the disbursing fund.



**STATE SECURITIES BOARD (312)**

2. Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund to another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
3. Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as "Current"; repayment for two (or more) years is classified as "Non-Current."
4. Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund. The composition of the Agency's interfund activities and balances are presented in Note 12.

**NOTE 2: CAPITAL ASSETS**

Changes in Capital Assets for the year ended August 31, 2019:

**Governmental Activities**

Depreciable/Amortizable Asset Type	Balance 9/1/18	Adjustments	Additions	Deletions	Balance 8/31/19
Furniture and Equipment	\$108,027.76	-	-	(\$14,451.97)	\$93,575.79
Less Accumulated Depreciation	(\$86,131.31)	-	(\$7,379.88)	\$14,451.97	(\$79,059.22)
Computer Software	\$9,073.80	-	-	-	\$9,073.80
Less Accumulated Amortization	(\$9,073.80)	-	-	-	(\$9,073.80)
Governmental Activities, Capital Assets	<u>\$21,896.45</u>	=	<u>(\$7,379.88)</u>	=	<u>\$14,516.57</u>

**NOTE 3: DEPOSITS, INVESTMENTS, AND REPURCHASE AGREEMENTS**

(Not applicable to this Agency.)

**NOTE 4: SHORT-TERM DEBT**

(Not applicable to this Agency.)

**STATE SECURITIES BOARD (312)**

**NOTE 5: LONG-TERM LIABILITIES**

The Agency has no long-term notes or loans payable, claims or judgments outstanding or pending, pollution remediation obligations, or liabilities payable from restricted assets.

**Employees Compensable Leave**

If a state employee has had continuous employment with the state for at least six months, the state employee is entitled to be paid for all unused vacation time accrued in the event of the employee's resignation, dismissal, or separation from State employment. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. Both an expense and a liability for business-type activities are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding source(s) from which the employee's salary or wage compensation was paid.

The Agency's monetary liability for compensable future absences as of August 31, 2019, as computed by multiplying the ending balances by the year-end average hourly salary rate for all employees, were as follows:

	<u>Balance</u> <u>8-31-18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>8-31-19</u>	<u>Due Within</u> <u>One Year</u>	<u>Due</u> <u>Thereafter</u>
Compensable Leave:	\$714,587.79	\$724,151.40	(\$632,688.74)	\$806,050.45	\$478,260.66	\$327,789.79

**NOTE 6: BONDED INDEBTEDNESS**

(Not applicable to this Agency.)

**NOTE 7: DERIVATIVES**

(Not applicable to this Agency.)

**STATE SECURITIES BOARD (312)**

**NOTE 8: LEASES**

**OPERATING LEASES**

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating lease obligations:

Fund Type	Amount
General Revenue	\$134,758.44

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

Year Ended	August 31, 2020	130,833.24
Year Ended	August 31, 2021	99,681.84
Year Ended	August 31, 2022	99,681.84
Year Ended	August 31, 2023	92,060.18
Year Ended	August 31, 2024	53,951.88
5 Year Increment	September 1, 2024 to August 31, 2029	67,439.85
Total Minimum Future Lease Rental Payments:		<u>\$543,648.83</u>

- The Agency has multiple lease obligations. As of August 31, 2019, the Agency's longest lease obligation is set to expire on November 30, 2025.

**CAPITAL LEASES**

The Agency has no current long-term capital leases.

**NOTE 9: PENSION PLANS AND DEFINED CONTRIBUTION PLAN**

The State has joint contributory retirement plans for a vast majority of its employees. The Agency participates in the plans administered by the Employees Retirement System of Texas. Future pension costs are the liabilities of the Retirement System. The System does not account for each state agency separately. Annual financial reports prepared by the System include audited financial statements and actuarial assumptions and conclusions.

**NOTE 10: DEFERRED COMPENSATION**

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the TEX. GOV'T CODE ANN., Chapter 609. Two plans are available for employees' deferred compensation plans. Each plan is administered by the Employees Retirement System.

**STATE SECURITIES BOARD (312)**

**NOTE 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

(Not applicable to this Agency.)

**NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS**

As explained in Note 1, in the portion titled, Interfund Activities and Balances, there are numerous transactions between funds and agencies. At year-end, amounts to be received or paid, relative to this agency, are reported as:

- Interfund Receivables or Interfund Payables
- Due from other Agencies or due to other Agencies
- Legislative Transfers In or Legislative Transfers Out

Individual balances and activity at August 31, 2019:

Current Portion	Current Interfund Receivable	Current Interfund Payable
GENERAL (01)	-0-	-0-
Non-Current Portion	Non-Current Interfund Receivable	Non-Current Interfund Payable
GENERAL (01)	-0-	-0-
GENERAL (01)	Due From Other Agencies	Due To Other Agencies
	-0-	-0-

**NOTE 13: CONTINUANCE SUBJECT TO REVIEW**

Pursuant to the Texas Sunset Act, the Agency will be abolished effective September 1, 2031 unless continued in existence as provided by the Act. If abolished, the Agency may continue until September 1, 2032 to close out its operations.

**NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET POSITION**

(Not applicable to this Agency.)

**NOTE 15: CONTINGENCIES AND COMMITMENTS**

(Not applicable to this Agency.)

**STATE SECURITIES BOARD (312)**

**NOTE 16: SUBSEQUENT EVENTS**

(Not applicable to this Agency.)

**NOTE 17: RISK MANAGEMENT**

The State Securities Board is exposed to a variety of potential civil claims resulting from the performance of its duties. The Agency assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently there is no purchase of commercial insurance nor is the Agency involved in any risk pools with other government agencies. The agency does participate in the Statewide Automobile Insurance Program and Statewide Property Insurance Program facilitated by the State Office of Risk Management.

The Agency's liabilities are reported when it is both probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

**NOTE 18: MANAGEMENT'S DISCUSSION AND ANALYSIS**

This Agency has no special or extraordinary items to report.

**NOTE 19: THE FINANCIAL REPORTING ENTITY**

(Not applicable to this Agency.)

**NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

(Not applicable to this Agency.)

**NOTE 21: N/A**

**NOTE 22: DONOR RESTRICTED ENDOWMENTS**

(Not applicable to this Agency.)

**NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS**

This Agency has no special or extraordinary items to report.

**STATE SECURITIES BOARD (312)**

**NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES**

(Not applicable to this Agency.)

**NOTE 25: TERMINATION BENEFITS**

(Not applicable to this Agency.)

**NOTE 26: SEGMENT INFORMATION**

(Not applicable to this Agency.)

**NOTE 27: SERVICE CONCESSION ARRANGEMENTS**

(Not applicable to this Agency.)

**NOTE 28: DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

(Not applicable to this Agency.)

**NOTE 29: TROUBLED DEBT RESTRUCTURING**

(Not applicable to this Agency.)

**NOTE 30: NON-EXCHANGE FINANCIAL GUARANTEES**

(Not applicable to this Agency.)

**NOTE 31: TAX ABATEMENTS**

(Not applicable to this Agency.)

**NOTE 32: GOVERNMENTAL FUND BALANCES**

(Not applicable to this Agency.)

### **III. COMBINING STATEMENTS**





**STATE SECURITIES BOARD (312)**

**Exhibit J-1 – Combining Statement of Changes in Assets and Liabilities**

**Agency Funds**

August 31, 2019

	<u>Beginning Balance</u> <u>September 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u> <u>August 31, 2019</u>
<b>UNAPPROPRIATED RECEIPTS</b>				
<u>Child Support Deduction (0807)</u>				
<u>U/F (0807)</u>				
<b>ASSETS</b>				
Cash in Treasury	<u>\$0.00</u>	<u>\$1,680.00</u>	<u>\$840.00</u>	<u>\$840.00</u>
Total Assets	<u>\$0.00</u>	<u>\$1,680.00</u>	<u>\$840.00</u>	<u>\$840.00</u>
<b>LIABILITIES</b>				
Funds Held for Others	<u>\$0.00</u>	<u>\$1,680.00</u>	<u>\$840.00</u>	<u>\$840.00</u>
Total Liabilities	<u>\$0.00</u>	<u>\$1,680.00</u>	<u>\$840.00</u>	<u>\$840.00</u>
<b>TOTALS – ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash in State Treasury	<u>\$0.00</u>	<u>\$1,680.00</u>	<u>\$840.00</u>	<u>\$840.00</u>
Total Assets	<u>\$0.00</u>	<u>\$1,680.00</u>	<u>\$840.00</u>	<u>\$840.00</u>
<b>LIABILITIES</b>				
Funds Held for Others	<u>\$0.00</u>	<u>\$1,680.00</u>	<u>\$840.00</u>	<u>\$840.00</u>
Total Liabilities	<u>\$0.00</u>	<u>\$1,680.00</u>	<u>\$840.00</u>	<u>\$840.00</u>



**IV. ADDENDA**



# State Securities Board – Agency No. 312 – Addenda to Annual Financial Report

## Administration of the Texas Securities Act

The Securities Board was created by the Texas Securities Act by the 55<sup>th</sup> Legislature in 1957. The agency is overseen by a governing board comprised of five members appointed by Governor Abbott, with the advice and consent of the Senate, for six-year staggered terms. The Board establishes the policies of the agency and meets periodically to update agency rules to ensure that investors remain adequately protected while preventing unreasonable burdens or barriers on legitimate capital formation.

The Board appoints a Securities Commissioner who serves at the pleasure of the Board and is charged with the administration of the provisions of the Act and management of the day-to-day operations of the agency. Travis J. Iles was appointed to the position of Securities Commissioner in 2017 and has served Texas investors and businesses in various capacities across agency programs for the past 18 years.

Members of the Board serving Texas as of August 31, 2019, are listed below:

<b>Board Member</b>	<b>City</b>	<b>Term Expiration</b>
E. Wally Kinney, Chair	Comfort	January, 2025
Miguel Romano, Jr.	Austin	January, 2021
Kenny Koncaba	Friendswood	January, 2023
Robert R. Belt	Houston	January, 2023
Melissa Tyroch	Belton	January, 2025

The Act provides for the registration of securities; registration of firms and individuals who sell securities or render investment advice; examination of registered firms; and enforcement of the Act through administrative, civil, and criminal actions.

The State Securities Board's statutory mission is to protect Texas investors. Consistent with that mission, the agency seeks to encourage capital formation, job formation, and free and competitive securities markets, and to minimize burdens on issuers and persons subject to the Act, especially small businesses.

A healthy and productive capital market requires the agency maintain a carefully balanced and measured regulatory approach. A harsh and unyielding regulatory system limits incentives for businesses to raise capital in Texas and creates barriers for Texas businesses to access funds necessary to grow their businesses and create new jobs. Conversely, an overly lenient regulatory system fosters an environment in which unscrupulous promoters can damage investor confidence, inhibit investments in the state, and erode legitimate businesses' access to needed capital.

The main office of the State Securities Board is located at 208 E. 10<sup>th</sup> Street in Austin. The agency also maintains offices in Corpus Christi, Dallas, Houston, and Lubbock. A field presence is maintained in San Antonio through the agency's participation in the Federal Bureau of Investigation's White-Collar Crime Task Force. Similar task force arrangements are also in place in Austin and Houston. By participating in the task forces at these three offices, the agency is able

## **State Securities Board – Agency No. 312 – Addenda to Annual Financial Report**

to leverage its resources and reduce agency costs.<sup>1</sup> The geographic distribution of the agency's offices facilitates the agency's law enforcement and inspections functions and allows the agency to provide services to issuers, registrants, and the public in each region of the state.

### **Sunset Advisory Commission Review**

The agency began its Sunset Advisory Commission review in September 2017 and held a formal 'kick-off' with Sunset Commission Staff in July 2018. Several statutory changes were recommended, and management action items were adopted during the review process.<sup>2</sup> The agency appreciates Sunset Staff's work on behalf of the agency. The agency's Board has been busy at work implementing Sunset action items. Most, if not all action items, can be fairly described as across-the-board observations and directives. The agency is well-positioned to fully implement statutory changes and management action items by March 2020. Additional statutory changes from the 86<sup>th</sup> Legislative Session relating to military applicants/spouses and registration for those with criminal histories have also been adopted by rules to become effective in November 2019.

The agency's previous Sunset Advisory Commission reviews occurred during the 77<sup>th</sup> (2001) and 68<sup>th</sup> (1983) Legislative Sessions.

### **The Law Enforcement Program**

Since 1957, the State Securities Board has placed a premium on proactive efforts to detect and prevent violations of the Act, including fraud committed in connection with the sale of securities by unregistered dealers. The agency also aggressively pursues administrative, civil, or criminal actions against firms or individuals who have violated provisions of the Act, as appropriate.

In assessing the need for and type of enforcement action, consideration is given to a number of factors, including the nature of the offense, violation, or deficiency; the extent and persistence of the conduct; the amount of harm to the public; cooperation in resolving the matter; efforts to mitigate harm; the history of previous violations; the need to deter similar conduct; and the ability to restore investor status quo and provide justice.

The agency allocates significant resources to the criminal prosecution of individuals who engage in fraud in connection with the sale of securities, while continuing to effectively execute its other regulatory responsibilities. In the Sunset Advisory Commission's Staff Report for the 86<sup>th</sup> Legislature, the agency was found to dedicate "appropriated resources in a responsible manner that supports prosecution of securities crimes while being mindful of its other statutory responsibilities." See Footnote 5, at pdf page 33.

The agency makes criminal referrals to district attorneys and United States attorneys in Texas. Agency attorneys are routinely appointed as special prosecutors to assist in drafting indictments,

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<sup>1</sup> A recent example - <https://www.justice.gov/usao-wdtx/pr/federal-jury-convicts-owner-bullion-direct-inc-austin-investment-and-wire-fraud-scheme>.

<sup>2</sup> HB 1535 continued the agency until 2031 - <https://capitol.texas.gov/tlodocs/86R/billtext/pdf/HB01535F.pdf#navpanes=0>.

## **State Securities Board – Agency No. 312 – Addenda to Annual Financial Report**

present cases to grand juries, and conduct felony trials for securities fraud and related penal offenses. Agency financial examiners and accountants regularly perform source and use analyses of voluminous and complex financial records and testify as fact, expert, and summary witnesses in these prosecutions as a matter of course. But for the work of the law enforcement program, many criminal opportunists would never be brought to justice. Additional information is provided later in this report related to the agency's well-established and highly successful prosecutorial assistance responsibilities in administering and enforcing the Act.

### **The Registration Program**

The agency's registration staff reviews all applications to register securities for sale in Texas. The primary function of this review is to ensure that investors have access to full and fair disclosure of all material investment information to inform the investor's decision-making process; the issuer and investor share in the results of the venture; prices being asked for the securities are reasonable; conflicts of interest are minimized; and promotional expenses are reasonable. For issuers seeking a multi-state registration of securities, the agency participates in a coordinated review program administered by the North American Securities Administrators Association (NASAA).<sup>3</sup> Besides establishing uniform review standards, coordinated review expedites the registration process, saving time and money for the issuer. The agency also processes a much larger volume of filings to permit securities to be sold in Texas where registration is not required under the Act. It can be noted that throughout agency programs, staff provide leadership roles within NASAA and the agency maximizes resources through its active participation in the association, which provides numerous training and educational opportunities for agency staff.

In addition to reviewing securities registrations and filings, the registration program also reviews and processes the applications for registration and renewal for firms and individuals selling securities or rendering investment advice in Texas. This process includes a thorough examination of each application with an emphasis on the proposed plan of business, financial condition, and disciplinary history of the applicants. For the agency to maintain proper oversight, each registrant must timely amend its registration information when an event occurs that causes a previous response provided on the application to become inaccurate. The agency participates in the Central Registration Depository and Investment Adviser Registration Depository systems. Together, these systems, developed by NASAA, the U.S. Securities and Exchange Commission, and the Financial Industry Regulatory Authority (FINRA), allow dealers and investment advisers to apply electronically for registration of their agents and representatives in all desired states via a single form filed at a central location. Texas was a leader in developing these systems and Texas registrants benefit greatly by having access to the systems, including the ability to pay registration and renewal-related fees electronically.

### **The Inspections & Compliance Program**

Financial examiners in the agency's inspections program conduct periodic compliance examinations of the activities and books and records of registered firms. The primary focus of this

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<sup>3</sup> NASAA - <https://www.nasaa.org/about/>.

## State Securities Board – Agency No. 312 – Addenda to Annual Financial Report

important work is conducted on firms that are not subject to oversight by other regulatory authorities, which are the approximately 1,400 state-registered investment advisers (those having up to \$100 million in investor assets under management), with main offices in Texas, and securities dealers who are not members of FINRA. The importance of the compliance examination program was recently highlighted with an agreed order entered by the Securities Commissioner that revoked an investment adviser’s registration and eliminated his ability to provide investment advisory services to Texas investors. The now former adviser made Ponzi payments with investor funds, used investor funds for personal purposes, and concealed the receipt of commissions for products recommended to his clients, among other things.<sup>4</sup>

During each year of the current biennium, the agency will seek to conduct compliance examinations of approximately 312 registered firms.

### Agency Performance Fiscal Year 2019

Enforcement	<b>412</b> law enforcement investigations opened <b>100%</b> of law enforcement actions successful
Registration	<b>64,754</b> securities registration and notice filings reviewed <b>496,979</b> securities dealer, agent, investment adviser, and investment adviser representative registration and notice filings reviewed
Inspections	<b>313</b> registered securities dealers and investment advisers examined
Deposits made to General Revenue Fund	<b>\$163,904,018.14</b>
Expenditures in administering and enforcing the Act	<b>\$8,307,516.64</b>

While the agency deposits substantial funds to the General Revenue Fund yearly, its Board has been ever diligent in monitoring and reducing the fees assessed to its registrants. The Act’s five Section 35.A fees are required to offset funds appropriated to the agency for the administration and enforcement of the Act. Texas Gov’t Code, Section 316.045.

Since 2015, the Board has been proactive in reducing fees paid by its occupational licensees. The 35.A.(2), (3), (4), and (5) fees, which affect registered dealers, investment advisers, and their agents and representatives, are at their statutory minimums and reflect 1991 fee levels. The remaining 35.A.(1) fee was reduced by Board action in May 2018 by 30%.

The agency is proud to count its fees for securities industry professionals amongst the lowest, if not the lowest, in the country.

<sup>4</sup> See <https://www.ssb.texas.gov/news-publications/austin-investment-adviser-revoked-fraud>.



# State Securities Board – Agency No. 312 – Addenda to Annual Financial Report

## Plans and Needs for Future Securities Regulation

### Continued Need for the State Securities Board

The need for future securities regulation in Texas continues and was recognized by the Sunset Advisory Commission Staff in their report to the 86<sup>th</sup> Legislature:

- *[T]he State Securities Board plays a critical role in protecting Texas residents from fraudulent or negligent practices by securities professionals and criminal opportunists.*
- *The agency is the state’s expert on enforcing state and federal securities laws and it cannot easily or quickly replace the expertise of seasoned financial examiners and attorneys.*
- *[A]s the agency’s workload increases and criminals constantly create new schemes to defraud the public, the agency and the state could feel the effects of the agency’s struggle to retain qualified staff.*
- *While the board is a well-run agency that contributes \$150 million in excess fee revenue to the state through its regulation, its greatest long-term challenge is...the loss of the staff’s cultivated expertise to higher paying national regulators.*
- *[T]he State Securities Board remains a needed agency that effectively carries out its mission to protect investors and ensure a healthy and productive securities market.<sup>5</sup>*

Texas is an exceptionally large and growing market for securities issuers, securities dealers, agents, and investment advisers. Long-term customer demands for the services provided by the State Securities Board continue to increase, due to the growth of the Texas economy and population. Furthermore, the public’s dependence on the securities markets to meet personal financial goals is creating a trend of increasing numbers of firms and individuals seeking registration. The majority of firm and individual registrants are not located in Texas but seek registration to access Texas’ vibrant economy.

The robust Texas economy also makes Texas investors an attractive target for promoters of fraudulent investment schemes. These schemes divert capital that would otherwise be available for legitimate economic development and threaten public confidence in securities markets and securities professionals.

Banks are robbed because that is where the money is and the same holds true in explaining why so many criminal opportunists flock to the Lone Star State to prey upon Texas investors. The

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<sup>5</sup> *State Securities Board Staff Report, Summary of Sunset Staff Recommendations, Page 1 (pdf Page 17) - <https://www.sunset.texas.gov/public/uploads/files/reports/State%20Securities%20Board%20Staff%20Report%20with%20Final%20Results.pdf>.*

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ability of legitimate Texas businesses seeking capital to grow their businesses and create Texas jobs is hindered by such criminal activity.

Members of the public have increased their direct participation in, and dependence on, the securities markets to achieve financial goals; there has been a corresponding increase in investment-related information presented to investors in public forums such as social media, radio, television, and the Internet.<sup>6</sup> These trends will require the agency to continue to commit substantial resources to proactively detect and stop fraudulent investment schemes.

The agency's law enforcement program has been a national leader in proactively thwarting investment frauds utilizing the Internet and other public media. In December 2017, Texas was the first state regulator to take action against a fraudulent investment scheme targeting Texas investors amidst the cryptocurrency 'craze.' The agency has since entered 26 orders against promoters of purported investment products attempting to capitalize on the emergence of digital assets.<sup>7</sup>

The trends also highlight the necessity of proactive efforts in investor education to ensure Texans are well-equipped to make informed investment decisions and avert fraud. The agency annually updates and publishes the *Texas Investor Guide* as an educational resource for our investors pursuant to Section 43 of the Act.<sup>8</sup> The agency will mark the tenth anniversary of this valuable resource in 2020.

Governor Abbott and the 85<sup>th</sup> Legislature also provided the agency with valuable tools to protect vulnerable adults from financial exploitation. This important legislation, with industry support, has provided the agency with another avenue to serve Texas investors. The registrant reporting requirement has resulted in significant actions protecting Texans most at risk.<sup>9</sup> The agency received approximately 130 reports of suspected financial exploitation in fiscal year 2018. That number has since increased in fiscal year 2019 to over 210.

Because much of the evidence of modern fraudulent investment schemes resides on computers and other electronic storage devices and is often voluminous, the agency must continue to maintain up-to-date equipment, software, and investigative methodologies. The agency must also coordinate with other law enforcement and regulatory authorities to effectively obtain, analyze, and preserve this information.

The work of the State Securities Board requires a professional staff that is knowledgeable and adequately trained to make prompt and accurate decisions regarding complex fraudulent schemes,

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<sup>6</sup> Two recent emergency cease and desist orders entered by the Securities Commissioner reflect the digital age of present regulatory oversight - <https://www.ssb.texas.gov/news-publications/commissioner-acts-stop-two-cryptocurrency-offerings-second-regulatory-sweep>.

<sup>7</sup> Investor education resources and a list of agency actions on cryptocurrency matters to date can be found at <https://www.ssb.texas.gov/cryptocurrency-enforcement>.

<sup>8</sup> See <https://www.ssb.texas.gov/investors/general-investing/publications-and-other-resources>.

<sup>9</sup> See <https://www.ssb.texas.gov/news-publications/metalscom-offer-full-refunds-texas-investors-deal-likely-exceed-10-million>

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illegal sales practices, compliance with regulatory requirements, and business plans for firms and individuals dealing in securities or providing investment advice to the public.

The agency invests significant time and resources training its professional employees to perform the legal and financial analysis work essential to the enforcement, registration, and inspection programs. Ensuring these employees can efficiently perform this work benefits not only the agency, the State, and our taxpayers – but the applicants, registrants, and firms subject to compliance examinations and oversight by the agency.

Although the agency is authorized for 97 employees, in recent years an inadequate salary structure has prevented the agency from retaining experienced front-line professionals for its inspections, enforcement, and registration programs. As a result, staffing levels have been negatively affected.

The State Auditor's Office has prepared turnover analyses on the agency for the fiscal years of 2016 and 2018. During those years, the agency's turnover rate was 20.8% and 19.6%, respectively. During fiscal year 2019, the agency lost 12 staff members. Current staffing levels are at approximately 84 full-time employees (staffing levels comparable to 1998/1999 levels – actual agency FTEs of 80 as of August 31, 1998). Importantly, Governor Abbott's office and the 86<sup>th</sup> Legislature took meaningful first steps to address employee attrition during the most recent appropriations process.

Continued growth in the securities industry has fostered a favorable job market for compliance professionals with experience in securities regulation. Such regulation in the United States is comprised of state, federal, and self-regulatory entities employing legal, analytical, inspection, and investigative professionals. This regulatory structure lends itself to movement of staff between regulators based on compensation packages. The agency has also seen staff migration to other state regulatory agencies, industry, and non-profits.

The agency has suffered unacceptable levels of turnover in its professional staff. Knowledgeable and experienced attorneys and financial examiners have resigned from the agency to accept positions with other regulators and private companies based upon inadequate salary levels. The appropriations process will need to continue to address this reality by permitting the agency to provide competitive salaries and effectively use the existing state salary structure to create a meaningful career ladder for front-line attorneys and financial examiners based upon merit, expertise, and performance.

Aside from turnover difficulties, the agency will be challenged in the next five years as approximately 24% of its workforce will become eligible for retirement. The agency's succession planning focuses on cross-training employees to ensure an appropriate redundancy of experience and skills. However, the success of this effort will depend in large part on the agency's ability to retain younger, experienced professionals that can develop institutional knowledge to move into leadership positions.

## **State Securities Board – Agency No. 312 – Addenda to Annual Financial Report**

The securities industry is technologically advanced and dynamic. Training programs designed to equip staff with the knowledge necessary to effectively perform the work of the State Securities Board remains a high priority. In August, the agency held its annual in-house training program for all employees. The training consisted of program specific content and legislative and budget updates, in addition to legal presentations tailored to the agency's work. This year's installment included 8.25 hours of approved continuing legal education (MCLE) for the benefit of the staff attorneys at low cost to the agency. Two of those hours were devoted to ethics.

The agency will continue to coordinate the use of its resources with those of other regulators and law enforcement counterparts to achieve cost savings, leverage resources, and realize other efficiencies.

The State Securities Board's key functions continue to be necessary for the long-term health and viability of the capital markets in Texas. Each of the agency's programs is inter-related and fulfills an integral component of a regulatory structure that protects investors and facilitates transparency, efficiency, and the integrity of the capital markets in Texas. The agency's measured regulatory approach maintains investor confidence, promotes capital formation, and makes Texas and the State Securities Board an exemplar for fellow securities regulators.

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## Assistance in Criminal Prosecutions

Effective administration and enforcement of the Act dictates and requires that the agency's law enforcement program provide assistance to prosecutorial offices. The table that follows represents *all* currently pending cases and cases brought to resolution in fiscal year 2019, at both the state and federal levels, where the agency has provided assistance through its staff attorneys and financial examiners to prosecutorial offices, including those cases where staff attorneys were appointed as special assistant prosecutors. The agency *only* investigates and provides assistance in matters within its jurisdictional authority under the Act. The agency's law enforcement program has long been recognized as a 'criminal justice agency' by the Texas Department of Public Safety and the Federal Bureau of Investigation.

This component of the report is responsive to statutory changes, effective September 1, 2019, resulting from the Sunset Advisory Commission review of the agency during the 86<sup>th</sup> Legislative Session. If agency staff were unable to investigate and provide prosecutorial assistance, many criminal opportunists would be held unaccountable for their crimes and their victims would never receive their day in court. Sadly, these crimes frequently wipe out Texas investors' life savings, college funds, and nest eggs. All too often the victims of these predators are retirees and elderly Texans.<sup>10</sup>

The table beginning on the next page sets out the agency's pending cases and completed cases for which prosecutorial assistance was provided during fiscal year 2019.<sup>11</sup>

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<sup>10</sup> See a representative example - <https://www.ssb.texas.gov/news-publications/timothy-lloyd-booth-sentenced-68-years>.

<sup>11</sup> Additional details on cases State Securities Board law enforcement staff have provided or are providing assistance can be found on the agency website - <https://www.ssb.texas.gov/news-publications/enforcement-actions-criminal-civil>.

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DEFENDANT	INDICTMENT DATE(S)	CONVICTION DATE	DOLLAR AMOUNT PROSECUTED	COUNTY	NUMBER OF SP APPOINTED	NUMBER OF FE ASSISTING	NUMBER OF ATTORNEY ASSISTING	NOTES
Daniel Christopher Walsh	01/24/13 & 07/12/19	7/12/2019	\$492,090.00	WICHITA	3	2	0	Cause No.53174-A in the 30th District Court of Wichita County, TX Plead Guilty and convicted on 1 count of Money Laundering. Sentenced to serve 18 years TDCJ Confinement. All other charges dismissed.
Daniel Christopher Walsh	7/17/2019	TBD	N/A	HARRIS	0	1	0	Cause No. 1639142, 163143, & 1639145 in the 232nd District Court of Harris County on 1 count Money Laundering, 1 aggregated count of Securities Fraud including 17 transactions, 1 aggregated count of Theft including 8 transactions.
Nathaniel Brooks	10/02/18	TBD	N/A	FED/AUSTIN	0	1	0	Cause # 1:18-CR-00344-LY in the United States District Court, Western District of Texas on 1 count of Monetary Transaction in Criminally Derived Property.
Michael Phillip Carter	11/06/18	TBD	N/A	COLLIN	4	1	N/A	Cause Numbers 296-83865-2018 through 296-83870-2018 in the 296th District Court of Collin County on 1 aggregated count of Securities Fraud including 132 transactions, 1 aggregated count of Money Laundering including 5 transactions, 1 aggregated count of Misapplication of Fiduciary Property (tax) including 100 transactions, 1 aggregated count of Misapplication of Fiduciary Property (CPIF) including 132 transactions, 1 count of Unregistered Securities Article 581 Section 29B Texas Securities Act including 44 transactions, and 1 count of Unregistered Agent or Dealer Article 581 Section 29A Texas Securities Act including 44 transactions,
Shelley Noel Carter	11/06/18	TBD	N/A	COLLIN	4	1	N/A	Cause Numbers 296-83871-2018 through 296-83872-2018 in the 296th District Court of Collin County on 1 aggregated count of Misapplication of Fiduciary Property (Tax) including 100 transactions, and 1 aggregated count of Money Laundering including 5 transactions.
Richard Gregory Tilford	11/06/18	TBD	N/A	COLLIN	4	1	N/A	Cause Numbers 296-83873-2018 through 296-83875-2018 in the 296th District Court of Collin County on 1 aggregated count of Securities Fraud including 55 transactions, 1 count of Unregistered Securities Article 581 Section 29B Texas Securities Act including 20 transactions, and 1 count of Unregistered Agent or Dealer Article 581 Section 29A Texas Securities Act including 20 transactions.
Michael Raymond Malone	11/19/18	TBD	N/A	DALLAS	0	0	1	Cause Number F-1800731 & F-1800732 in the 195th District Court of Dallas County on 1 count of Theft & 1 count of Securities Fraud.
Brian Keith Alfaro	11/28/18	TBD	N/A	FED/SAN ANTONIO	0	0	1	Cause Number SA 18-CR-0879 in the United States District Court, Western District of Texas on 8 counts of Mail Fraud.

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DEFENDANT	INDICTMENT DATE(S)	CONVICTION DATE	DOLLAR AMOUNT PROSECUTED	COUNTY	NUMBER OF SP APPOINTED	NUMBER OF FE ASSISTING	NUMBER OF ATTORNEY ASSISTING	NOTES
Cammie R. Booth	9/22/2016	09/11/18	\$1,214,523.50	COLLIN	3	1	0	Cause Number 296-82781-2016 in the 296th District Court of Collin County. Plead guilty to 1 aggregated count of Securing Execution of a Document by Deception including 6 transactions. Ordered to serve a term of 8 years Deferred Adjudication Community Supervision. Note: All other charges were dismissed. Related Case - Timothy L. Booth - 05/23/18 Cause Numbers 296-83459-2016 & 296-83462-2016 in the 296th District Court of Collin County. Convicted on 1 aggregated count of Theft including 62 transactions and 1 aggregated count of Securities Fraud including 62 transactions. Sentenced to serve 68 years TDCJ confinement for each transaction which will run concurrently. Note: All other charges were dismissed.
Steven Patrick Jones	10/1/2014	10/23/18	* Already counted see Acord conviction – 12/20/16	FED/HOUSTON	0	1	1	Cause No. 4:14-CR-00020 in the United States District Court, Southern District of Texas. Plead guilty and convicted of 1 Count of Conspiracy to Commit Wire Fraud and sentenced to 85 months in the United States Bureau of Prisons, to be followed by 3 years of Supervised Release. Ordered to pay restitution in the amount of \$8,286,060.22. All other charges were dismissed.
Allen Jacob Barber	11/30/2018	11/30/18	\$208,000.00	FORT BEND	0	1	2	Cause Numbers 16-DCR-073671A & 16-DCR-073670B in the 458th District Court of Fort Bend County. Plead guilty and convicted of 1 aggregated count of Securities Fraud including 1 transaction and 1 aggregated count of Theft including 6 transactions. Sentenced to serve 30 days confinement in the Fort Bend County Jail as a condition of 10 years of probation. Ordered to serve 200 hours of community service restitution, pay a \$10,000.00 fine and pay \$208,000.00 in restitution of which \$100,000.00 was paid previously.
James A. Reid	12/17/18	TBD	N/A	TRAVIS	2	0	0	Cause No. D-1-DC-18-900223 in the 331st District Court of Travis County on 1 aggregated count of Securities Fraud including 6 transactions; 1 aggregated count of Theft including 6 transactions; and 1 count of Money Laundering.
Christopher Matthew Meredith	12/18/18	TBD	N/A	FED/AUSTIN	0	1	0	Cause No. A19CR-039RP in the United States District Court of Texas, Western District on 1 aggregated count of Securities Fraud including 3 transactions and 1 aggregated count of Wire Fraud including 3 transactions.

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DEFENDANT	INDICTMENT DATE(S)	CONVICTION DATE	DOLLAR AMOUNT PROSECUTED	COUNTY	NUMBER OF SP APPOINTED	NUMBER OF FE ASSISTING	NUMBER OF ATTORNEY ASSISTING	NOTES
William Neil Gallagher aka Doc Gallagher	03/04/19 & 04/08/19	TBD	N/A	DALLAS	0	0	2	Cause Number F1900119, F1900223, & 1F900224 in the 194th District Court of Dallas County on 1 count of Money Laundering, 1 aggregated count of Securities Fraud including 88 transactions, 1 aggregated count of Theft including 86 transactions.
Danny Ray Digman	05/01/19	TBD	N/A	RANDALL	0	1	0	Cause Numbers 29509B, 29507B, 25910B and 29511B in the 181st District Court of Randall County on 1 aggregated count of Securities Fraud including 14 transactions, 1 count of Theft including 2 transactions, 1 aggregated count of Dealer or Agent without Registration including 8 transactions, and 1 aggregated count of Securities without Registration including 8 transactions.
Donald Gregg Titus	05/01/19	TBD	N/A	RANDALL	0	1	0	Cause Number 29508b in the 181st District Court of Randall County on 1 count of Theft including 2 transactions.
Sanders, Dennis Keith	05/16/19	TBD	N/A	BRAZOS	2	1	0	Cause Numbers 19-002538, 19-002539 and 19-002540 in the 272nd District of Brazos County on 1 aggregated count of Money Laundering including 2 transactions, 1 aggregated count of Theft including 3 transactions and 1 aggregated count of Securities Fraud including 2 transactions.
Martin Delaine Lewis	12/10/2015	04/05/19	\$1,930,690.32	COLLIN	4	1	1	Cause Number 401-83714-2015 in the 401st District of Collin County pled guilty on 1 aggregated count of Securities Fraud including 46 transactions and sentenced to serve 10 years TDCJ Confinement which was suspended to 10 years community supervision. All other charges were dismissed.
William Earl Rice Jr.	4/20/2018	04/16/19	\$24,473.23	HARRIS	0	1	2	Cause Numbers 1588124 and 1588125 in the 351st District Court of Harris County pled guilty to 1 count of Securities Fraud and 1 County of Misapplication of Fiduciary Property. Sentenced to serve 5 years TDCJ confinement for each count which will run concurrently and pay \$24,473.23 in restitution.
Linville C. Lewis	12/10/2015	05/13/19	* Already Counted. See Martin Delaine Lewis	COLLIN	4	1	1	Cause Number 401-83711-2015 in the 401st District Court of Collin County pled guilty to reduced charge of 1 count of aggregated Theft including 42 transactions and sentenced to serve 7 days in county jail confinement. All other counts dismissed.



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DEFENDANT	INDICTMENT DATE(S)	CONVICTION DATE	DOLLAR AMOUNT PROSECUTED	COUNTY	NUMBER OF SP APPOINTED	NUMBER OF FE ASSISTING	NUMBER OF ATTORNEY ASSISTING	NOTES
Melania N. Frederick	12/10/2015	05/20/19	* Already Counted. See Martin Delaine Lewis	COLLIN	4	1	1	Cause Number 401-83707-2015 in the 401st District Court of Collin County pled guilty to reduced charge of 1 aggregated count of Theft including 39 transactions and ordered to serve 1-year deferred adjudication. All other charges were dismissed.
Aaron Thomas Steele	12/10/2015	05/20/19	*Already Countered. See Allen Jacob Barber	FORT BEND	4	1	1	Cause Number 16-DCR_073672 in the 458th District Court of Fort Bend County pled guilty on 1 count of Securities Fraud. Ordered to serve 3 years deferred adjudication, pay \$30,000.00 in restitution, and pay a \$5,000.00 fine. All other charges were dismissed.