

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
PLANO DIVISION**

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

vs.

**TEXAS SECURITIES PARTNERS, LLC and
TONY E. MORRISON**

Defendants.

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Civil Action No.:

COMPLAINT

Plaintiff Securities and Exchange Commission alleges:

SUMMARY

1. Texas Securities Partners, LLC (“TSP”) and Morrison conducted an unregistered securities offering fraud. From January 2005 through June 2008, TSP, at Morrison’s direction, sold fractional interests in 4 oil and gas offerings. TSP raised \$12.7 million from over 500 investors nationwide. In selling the oil and gas offerings, TSP’s salespersons made material misrepresentations and omitted material facts regarding past performance, expected returns, and risk. For example, TSP representatives told investors that: (i) a previous TSP offering provided a \$30 million return to investors; (ii) the investment would pay out 80% to 120% cash-on-cash return in the first year; (iii) no TSP project had resulted in a dry hole since 2005; and (iv) the investment was a “sure thing.” Contrary to these statements, none of TSP’s offerings returned investor principal or profit, and most resulted in dry holes (including wells drilled after 2005). In addition, TSP’s offerings were not registered with the Commission, and were not otherwise exempt from registration.

2. The Commission, in the interest of protecting the public from any further violations of the federal securities laws, brings this action against Defendants seeking permanent injunctive relief.

JURISDICTION

3. The Commission brings this action under Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] to enjoin Defendants from future violations of the federal securities laws.

4. This Court has jurisdiction over this action under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], Section 27 of the Exchange Act [15 U.S.C. § 78aa], and Title 28 U.S.C. § 1331. Defendants, directly and indirectly, made use of the mails and of the means and instrumentalities of interstate commerce in connection with the acts, practices and courses of business described in this Complaint.

5. Venue lies in this Court under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa] because certain of the acts and transactions at issue took place in the Eastern District of Texas.

DEFENDANTS

6. Texas Securities Partners, LLC is a Delaware limited liability company with its principal place of business in Plano, Texas. It has never registered an offering of securities under the Securities Act or a class of securities under the Exchange Act.

7. Tony E. Morrison, age 38, a resident of Mansfield, Texas, is the president of TSP.

STATEMENT OF FACTS

8. From January 2005 through June 2008, TSP raised \$12.7 million by selling fractional interests in 4 oil and gas offerings to over 500 investors nationwide. During this time, TSP earned \$1.2 million in commissions from its sales. TSP did not have any other brokerage business.

9. The oil and gas projects offered by TSP were exploratory wells. After a TSP-affiliated issuer acquired drilling rights in an oil and gas field, TSP would solicit investors to fund the drilling operations. TSP used its website to lure prospective investors to the offerings. Through the website, prospective investors provided contact information. And TSP called these prospective investors, soliciting them to invest in the offerings. TSP also engaged in a cold-calling campaign using leads it purchased from third-party vendors.

10. During the relevant period, TSP was subject to FINRA Rule 3010(b)(2), which required it to record its registered persons' phone conversations with existing or prospective customers. The staff reviewed over 1,600 of these calls. In them, TSP representatives made material misrepresentations and omissions concerning, among other things, past performance, expected returns, and risk. For example, TSP representatives told investors that (i) a previous TSP offering resulted in a \$30 million return to investors; (ii) the investment would pay out: (A) 80% to 120% cash-on-cash return in the first year; (B) 9 to 1 (900% return); and (C) \$5,800 per month per 1% ownership interest; (iii) no TSP project had resulted in a dry hole since 2005; and (iv) this investment is a "sure thing."

11. These representations were false. TSP's records do not support the representations concerning past performance or expected returns. In fact, none of TSP's

offerings returned investor principal or profit. And TSP projects had resulted in dry holes during this time.

12. Morrison directed TSP registered representatives to misrepresent the true nature of the oil and gas offerings to TSP's prospective investors. For example, Morrison provided the registered representatives with the information to use in sales calls, including the information regarding historical results, performance, and risk. Morrison also monitored sales calls. Afterwards, Morrison would critique the sales forces' performances. As a result, all of the registered representatives made similar misrepresentations in sales calls to TSP investors.

13. Immediately after contacting the investors by phone, TSP sent offering materials to them by express mail. The offering materials consisted of, among other things, a Private Placement Memorandum ("PPM"), a geological summary, and a subscription agreement. For each offering, investors paid their funds to the issuers. According to the offering materials, the issuer would use the funds to underwrite the offering's costs, which included drilling and testing fees, geological testing fees, management fees, marketing fees, due diligence fees, and commissions. If warranted, investors also would be required to pay "completion costs," which are additional funds the issuer used to complete, equip, and operate the wells. The issuers used the money to drill wells as represented in the PPM. None of the TSP placed wells generated a profit for investors.

CLAIMS

First Claim

Violations of Section 10(b) of the Exchange Act and Exchange Act Rule 10b-5

14. Plaintiff repeats and incorporates paragraphs 1 through 13 of this Complaint by reference as if set forth *verbatim*.

15. Defendants, directly or indirectly, singly or in concert with others, in connection with the purchase or sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails: (a) have employed devices, schemes and artifices to defraud; (b) have made untrue statements of material facts and have omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) have engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers, and other persons.

16. Defendants made these misrepresentations and omissions knowingly or with severe recklessness.

17. By reason of the foregoing, Defendants have violated and, unless enjoined, will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5].

Second Claim

Violations of Section 17(a) of the Securities Act

18. Plaintiff repeats and incorporates paragraphs 1 through 13 of this Complaint by reference as if set forth *verbatim*.

19. Defendants, directly or indirectly, singly or in concert with others, in connection with the offer or sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails: (a) have employed devices, schemes and artifices to defraud; (b) have made untrue statements of material facts and have omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) have engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers, and other persons.

20. As a part of and in furtherance of their scheme to defraud, Defendants, directly and indirectly, prepared, filed, executed, signed, disseminated, used and issued public statements which contained untrue statements of material facts and misrepresentations of material facts and which omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, those set forth above.

21. Defendants made these misrepresentations and omissions knowingly, with severe recklessness, or negligently.

22. By reason of the foregoing, Defendants have violated and, unless enjoined, will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

Third Claim

Violations of Sections 5(a) and 5(c) of the Securities Act

23. Plaintiff repeats and incorporates paragraphs 1 through 13 of this Complaint by reference as if set forth *verbatim*.

24. Defendants, directly or indirectly, singly and in concert with others, have been offering to sell, selling, and delivering after sale certain securities, and have been, directly and indirectly: (a) making use of the means and instruments of transportation and communication in interstate commerce and of the mails to sell securities, through the use of written contracts, offering documents and otherwise; (b) carrying and causing to be carried through the mails and in interstate commerce by the means and instruments of transportation, such securities for the purpose of sale and for delivery after sale; and (c) making use of the means or instruments of transportation and communication in interstate commerce and of the mails to offer to sell such securities.

25. No registration statements were ever filed with the Commission by the Defendants, and the offerings were not otherwise exempt from registration.

26. By reason of the foregoing, Defendants violated and, unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§77e(a) and 77e(c)].

REQUEST FOR RELIEF

The Commission requests that this Court enter a judgment permanently enjoining TSP and Morrison from violating, directly or indirectly, Section 10(b) of the Exchange Act and Exchange Act Rule 10b-5, and Sections 5(a), 5(c), and 17(a) of the Securities Act; requiring TSP and Morrison to pay, jointly and severally, disgorgement of \$1,200,000 and prejudgment interest of \$52,802.44; and granting such other relief as this Court may deem just or appropriate.

DATED: September 15, 2009

Respectfully submitted,



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