

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 87121 / September 26, 2019

ADMINISTRATIVE PROCEEDING
File No. 3-19524

In the Matter of

ROBERT GILLIAM,

Respondent.

ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934
AND NOTICE OF HEARING

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Robert Gilliam (“Gilliam” or “Respondent”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. Gilliam, 52, was formerly a resident of Hurst, Texas. He was the Director of Participant Relations for Texas Energy Mutual, LLC (“TEM”), an oil and gas company headquartered in Grapevine, Texas, that, from at least 2013 through August 2016, offered and sold securities to investors in the form of units in oil-and-gas drilling programs—known as “Thunderhead” and the “Mineral Interest Leasing Program” (“MILP”)—and in promissory notes

purportedly backed by oil and gas assets. Gilliam never held a securities license and has prior convictions for burglary and delivery of controlled substances.

B. ENTRY OF THE INJUNCTION

2. On July 6, 2018, a final judgment was entered by consent against Gilliam, permanently enjoining him from, among other things, future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (“Securities Act”) and Sections 10(b) and 15(a)(1) of the Exchange Act and Rule 10b-5 thereunder, in the civil action titled *Securities and Exchange Commission v. James VanBlaricum, et al.*, Civil Action Number 4:18-CV-518-O, in the United States District Court for the Northern District of Texas.

3. The Commission’s Complaint alleged that, despite not being registered as a broker, Gilliam offered and sold unregistered securities to investors by cold-calling them, assisting other salespeople with calls, providing investors with sales materials and advice, closing sales, and receiving transaction-based compensation for those sales. The Complaint further alleged that Gilliam oversaw what the Defendants referred to as “special needs” investors—investors who were upset with the lack of returns on their investments. TEM made payments to these disgruntled investors to mollify them and prevent them from filing complaints with regulators, and Gilliam reported to the co-Defendants about the status of these investors. Further, the Complaint alleged that Gilliam knew the offering materials and website contained materially false and misleading information, including that (1) the securities had a guaranteed return of 10% per year; (2) the drilling programs were productive and profitable, when many of the wells were dry holes; and (3) investor funds would be used for a variety of legitimate oil-and-gas related activities when, in fact, they were being used to pay, among other things, Ponzi payments to other investors, significant personal expenses, and large undisclosed sales commissions. Gilliam also knew that VanBlaricum controlled TEM, but concealed his involvement and used an alias when dealing with investors to hide his past history as a securities fraud recidivist.

C. RESPONDENT’S CRIMINAL CONVICTION

4. On January 24, 2018, Gilliam pled guilty to one count of conspiracy to commit mail fraud in violation of 18 U.S.C. § 371 (18 U.S.C. § 1341) before the United States District Court for the Northern District of Texas, in *United States v. Robert Gilliam*, Case No. 4:16-CR-00283-Y(5). On May 30, 2018, a judgment in the criminal case was entered against Gilliam, sentencing him to 60 months in prison, followed by three years of supervised release. He was also ordered to make restitution, jointly and severally with his criminal co-defendants, in the amount of \$13,479,407.09.

5. In connection with that plea, Respondent admitted, among other things, that he:

- a. and his criminal co-defendants knowingly and willfully conspired to commit mail fraud and to illegally enrich themselves by receiving compensation under false pretenses;

- b. was listed as “Participant Relations,” which meant appeasing “special needs” investors, which were investors that, once representations from TEM personnel were not fulfilled, complained frequently and in many cases threatened to report TEM to securities regulators and/or law enforcement;
- c. was responsible for preventing investors from reporting TEM to securities regulators and/or law enforcement by offering to “roll over” their money from a failed program to a future program and by sending them “lulling payments” until profits from the future program were realized;
- d. would, and did, with others, falsely represent that: (1) the investments would earn an “assured” annual rate of return of 10% and investors would receive a full refund of their initial investment amount after a defined period of time; (2) TEM would spend investors’ money to purchase mineral leases and oil and gas wells, when, in fact, he knew that TEM intended to spend a substantially smaller percentage of the money on mineral leases and oil and gas well projects, while using a substantial part of the investors’ money for purposes that the investors did not authorize or even know about, namely undisclosed sales commissions; and (3) TEM’s oil and gas well projects were productive and profitable, when, in fact, most were “dry holes,” produced oil for a short period of time, or had not been drilled; and
- e. knew that VanBlaricum identified himself to investors using a false name.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

- A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;
- B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act; and
- C. Whether, pursuant to Section 15(b) of the Exchange Act, it is appropriate and in the public interest to suspend or bar Respondent from participating in any offering of penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock; or inducing or attempting to induce the purchase or sale of any penny stock.

IV.

IT IS ORDERED that a public hearing before the Commission for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed by further order of the Commission, pursuant to Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220(b) of the Commission's Rules of Practice, 17 C.F.R. § 201.220(b).

IT IS FURTHER ORDERED that the Division of Enforcement and Respondent shall conduct a prehearing conference pursuant to Rule 221 of the Commission's Rules of Practice, 17 C.F.R. § 201.221, within fourteen (14) days of service of the Answer. The parties may meet in person or participate by telephone or other remote means; following the conference, they shall file a statement with the Office of the Secretary advising the Commission of any agreements reached at said conference. If a prehearing conference was not held, a statement shall be filed with the Office of the Secretary advising the Commission of that fact and of the efforts made to meet and confer.

If Respondent fails to file the directed Answer, or fails to appear at a hearing or conference after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f), and 201.310.

This Order shall be served forthwith upon Respondent Robert Gilliam by any means permitted by the Commission's Rules of Practice.

Attention is called to Rule 151(b) and (c) of the Commission's Rules of Practice, 17 C.F.R. § 201.151(b) and (c), providing that when, as here, a proceeding is set before the Commission, all papers (including those listed in the following paragraph) shall be filed with the Office of the Secretary and all motions, objections, or applications will be decided by the Commission. The Commission requests that an electronic courtesy copy of each filing should be emailed to APFilings@sec.gov in PDF text-searchable format. Any exhibits should be sent as separate attachments, not a combined PDF.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that notwithstanding any contrary reference in the Rules of Practice to filing with or disposition by a hearing officer, all filings, including those under Rules 210, 221, 222, 230, 231, 232, 233, and 250 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.210, 221, 222, 230, 231, 232, 233, and 250, shall be directed to and, as appropriate, decided by the Commission. This proceeding shall be deemed to be one under the 75-day timeframe specified in Rule of Practice

360(a)(2)(i), 17 C.F.R. § 201.360(a)(2)(i), for the purposes of applying Rules of Practice 233 and 250, 17 C.F.R. §§ 201.233 and 250.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that the Commission shall issue a decision on the basis of the record in this proceeding, which shall consist of the items listed at Rule 350(a) of the Commission's Rules of Practice, 17 C.F.R. § 201.350(a), and any other document or item filed with the Office of the Secretary and accepted into the record by the Commission. The provisions of Rule 351 of the Commission's Rules of Practice, 17 C.F.R. § 201.351, relating to preparation and certification of a record index by the Office of the Secretary or the hearing officer are not applicable to this proceeding.

The Commission will issue a final order resolving the proceeding after one of the following: (A) The completion of post-hearing briefing in a proceeding where the public hearing has been completed; (B) The completion of briefing on a motion for a ruling on the pleadings or a motion for summary disposition pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250, where the Commission has determined that no public hearing is necessary; or (C) The determination that a party is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155, and no public hearing is necessary.

For the Commission, by its Secretary, pursuant to delegated authority.

Vanessa A. Countryman
Secretary