

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

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JAMES N. HADJEN, Clerk
By: *[Signature]*
Deputy Clerk

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

BLAKE B. RICHARDS,

Defendant.

Civil Action File No.

1:13-CV-

1: 13-CV-1729

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

The plaintiff, Securities and Exchange Commission (“Commission”), files this Complaint and alleges the following:

SUMMARY

1. Since approximately 2008, Defendant Blake B. Richards (“Richards” or “Defendant Richards”), a resident of Buford, Georgia and a registered representative and investment advisor formerly affiliated with LPL Financial, Inc. (“LPL Financial”), a registered broker-dealer and investment advisor, has misappropriated approximately \$2 million from at least six individuals. At least two of these investors are elderly, and the majority of the apparently

misappropriated funds constituted retirement savings and/or life insurance proceeds from deceased spouses.

2. Since at least 2008, on occasions when investors informed Richards that they had funds available to invest (such as from an IRA rollover or proceeds from a life insurance policy), Richards instructed the investors to write out checks to an entity called “Blake Richards Investments,” a d/b/a entity, or another d/b/a used by Richards, “BMO Investments.” Richards represented to the investors that he would invest their funds through his investment vehicle in life insurance, fixed income assets, variable annuities, or household-name stocks. Richards misappropriated much of the funds.

3. Richards, whose production at LPL Financial has been virtually nonexistent over the past few years, began siphoning off funds from clients, and converting them for his personal use.

4. When the customer asked Richards to liquidate investments, Richards issued draws to the investors from their “accounts” via either cashier’s check, personal check or, in one case a personal appearance at a branch of a bank to write out a deposit slip.

5. On at least one occasion, Richards provided an investor with a fictitious statement on what purported to be LPL Financial letterhead. Richards also informed another investor that the investor had funds in a Jackson Life

Insurance product. This statement was false. Jackson Life Insurance has no record of that investment, or any investments related to affected clients, Richards or his entities.

6. Richards also gave one investor a business card with the professional designation, "AAMS," which stands for Accredited Asset Management Specialist. According to the College for Financial Planning, which awards the AAMS designation, Richards has no such designation.

7. When confronted by LPL Financial as to the whereabouts of investor funds, Richards told LPL Financial that he cleared his clients' investments through Goldman, Sachs & Co. Goldman, Sachs & Co. has no record of Richards, Richards's entities or Richards's clients housing accounts at the firm or clearing accounts through the firm.

8. The Commission brings this action seeking to enjoin violations of the federal securities laws by, and to obtain injunctive and other relief from Defendant Richards. Specifically, the Commission seeks against him: (a) a temporary restraining order, and preliminary and permanent injunctive relief; (b) an asset freeze; (c) an accounting; (d) disgorgement plus prejudgment interest; (e) civil penalties; and (f) an order granting immediate discovery and prohibiting the destruction, alteration or concealment of documents.

VIOLATIONS

9. Defendant Richards, by virtue of his conduct, directly or indirectly, has engaged and unless enjoined, will engage in violations of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and Sections 206(1) and (2) of the Investment Advisers Act of 1940 ("Advisers Act") [15 U.S.C. §§ 80b-6 (1),(2)].

JURISDICTION AND VENUE

10. The Commission brings this action pursuant to Sections 20(b), (c) and (d) of the Securities Act [15 U.S.C. §§ 77t(b)-(d)], Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d)-(e)], and Sections 209(d) and 209 (e) of the Advisers Act [15 U.S.C. §§ 80b-9(d)-(e)] to enjoin the defendant from engaging in the transactions, acts, practices and courses of business alleged in this Complaint, and transactions, acts, practices and courses of business of similar purport and object, for disgorgement of illegally obtained funds and other equitable relief, and for civil money penalties.

11. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act [15 U.S.C. §§77t(b), 77t(d) and 77v(a)], Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. 78u(d), 78u(e) and 78aa], and Section 214 of the Advisers Act [15 U.S.C. §80b-14].

12. The Defendant, directly and indirectly, has made use of the mails, the means and instrumentalities of transportation and communication in interstate commerce, and the means and instrumentalities of interstate commerce, in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

13. Venue lies in this Court pursuant to 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 Section 209 of the Advisers Act [15 U.S.C. § 80b-9], because certain of the transactions, acts, practices and courses of business constituting violations of the Securities Act, Exchange Act, and Advisers Act have occurred within the Northern District of Georgia. Moreover, Richards resides within and conducted his business at LPL Financial within the Northern District of Georgia.

DEFENDANT AND RELATED COMPANIES

14. Between May 2009 and May 2013, Defendant Richards (CRD #4051402) 36 years of age, was a registered representative and investment adviser representative associated with LPL Financial, a registered broker-dealer and investment adviser. His employment with LPL Financial was terminated in May 2013. Richards holds Series 7, 63 and 65 securities licenses. Richards has at least one customer complaint on his CRD, from 2009, involving an unauthorized investment.

15. Defendant Richards resides in Buford, Georgia and utilizes two “d/b/a” businesses, Blake Richards Investments and BMO Investments.

16. LPL Financial, a broker-dealer and investment adviser registered with the Commission, has its headquarters in Boston, Massachusetts.

17. Lanier Wealth Management LLC, located in Buford, Georgia, is a business apparently owned by Richards which operates a branch office of LPL Financial.

FACTS

18. During the last few years of employment at LPL Financial, Richards has had little to no commission production and few clients of his own. Some of Richards’s clients were registered under a co-worker’s accounts because Richards lacked insurance and other licenses necessary to legally assist his clients’ brokerage and business needs.

19. Richards conducted business through Lanier Wealth Management, LLC, an entity that appears on Richards’s business cards.

A. “Investor One,” A Widowed Woman

20. “Investor One” met Richards in 2008, near the time her husband died. At the time, Richards was dating “Investor One’s” daughter.

21. “Investor One” came to rely on Richards for financial advice. In or around October, 2008, “Investor One” provided Richards with approximately \$1

million to be invested, \$700,000 of which was proceeds from her late husband's IRA.

22. Those funds appear to have been invested through H&R Block Financial Advisors, with whom Defendant Richards was associated at the time.

23. In May 2010, Richards invested \$500,000 in a Prudential variable annuity for "Investor One" through LPL Financial.

24. On at least two occasions, in October 2008 and January 2009, Richards asked "Investor One" to make checks payable to "Blake Richards Investments" or "BMO Investments" so that he could invest them through his brokerage firm on her behalf. These checks, total approximately \$235,000.

25. After making these purported investments, "Investor One" began asking Richards for account statements reflecting the status of her investments in "Blake Richards Investments" and "BMO Investments" because she had not reviewed any statements from LPL Financial that reflected these investments. In November 2010, Richards produced a statement that showed a "fixed income" portfolio with an approximate value of \$661,000 and a total account value of \$1.33 million. Some of the handwriting which appeared on the statement is attributable to Richards. The statement purports to be on LPL Financial letterhead, but reflects investments in fixed income securities that were never made. The statement is fictitious.

26. In January 2012, Richards recommended that “Investor One” sell half of the Prudential variable annuity and invest the proceeds in the upcoming Facebook IPO. Richards processed the sale of the annuity through LPL Financial and had the funds sent to “Investor One.” He then instructed her to write a check back to him in the amount of \$250,000 and to make it payable to “BMO Investment Group.” When “Investor One” questioned Richards about the sharp decline in Facebook stock’s value on its initial day of trading, Richards told her that he sold the stock short and made a large profit, which he deposited in her LPL Financial account.

27. “Investor One” never received statements from LPL Financial reflecting purchases or sales of Facebook stock or the deposit of any proceeds from such purchases or sales into her LPL Financial account. When confronted by “Investor One,” Richards told the investor that the accounts were not “linked” properly.

28. On May 2, 2013, “Investor One” met with Richards in the presence of her father, “Investor Two.” When questioned about the status of her statements, Richards produced a statement from “StockMarketEye,” an internet-based software program, showing an account holding Johnson & Johnson stock and an Eaton Vance Municipal stock fund.

29. LPL Financial later informed “Investor One” that her LPL Financial account did not hold these securities. LPL Financial has informed “Investor One” that she has but \$309,000 remaining in her account at LPL Financial. Accordingly, several hundred thousand dollars of “Investor One’s” funds have disappeared.

B. “Investor Two,” the 81 Year Old Father of “Investor One”

30. “Investor Two”, is 80 years old and is the father of “Investor One.” On at least three occasions in late 2009 and early 2010, “Investor Two” gave Richards funds totaling approximately \$440,000 to invest for himself and his wife (now deceased) who was then suffering with Alzheimer’s disease. The funds constituted the majority of “Investor Two’s” retirement savings, and at least in part were from his IRA, or that of his wife.

31. Defendant Richards instructed “Investor Two” that checks for his investments be made out to “Blake Richards Investments” and/or “Blake Richards Investment Group,” explaining that that was the correct way for checks to be directed so that the Defendant could invest on the client’s behalf through LPL Financial.

32. The funds that “Investor Two” sent to Defendant Richards included \$223,407 in IRA funds, with \$153,118.67 from his own IRA and \$70,289.91 from the IRA of his wife. At Defendant Richards’ direction, “Investor Two” received the funds into his bank account and then gave the funds to the Defendant, who

advised the investor that he would roll the funds into IRAs the Defendant had set up for he and his wife at LPL Financial.

33. While Defendant Richards established IRAs for Investor Two and his wife, the Defendant thereafter never deposited the funds into the IRA accounts at LPL Financial, or otherwise effectuated the IRA roll-overs as promised. Instead, Defendant Richards misappropriated the funds.

34. As a result of Defendant Richards' failure to roll over the IRA funds into the LPL Financial IRAs of "Investor Two" and his wife, the investors became subject to income tax, interest and penalties for the distribution of the IRAs and the failure to report the distribution. "Investor Two" did not report the distribution of the IRAs on his tax returns because he relied upon Defendant Richards' assurances that the funds had been rolled over into the investors' new IRAs at LPL Financial.

35. Sometime later, "Investor Two" received a notice from the IRS concerning his failure to report the liquidations. Defendant Richards assured "Investor Two" that the rollovers had occurred and there were simple errors in communicating the information to the IRS. Defendant Richards also provided forms to "Investor Two" that Defendant Richards had supposedly provided to the IRS showing that the rollovers of the IRAs had occurred.

36. In reality, Defendant Richards never funded the IRAs of “Investor Two” and his wife, despite opening IRA accounts at LPL Financial for that purpose.

37. On or about April 6, 2010, Defendant Richards provided “Investor Two” with a “Fixed Income Holdings Report” which showed purported fixed income holdings at LPL Financial of \$578,845 in municipal bonds. That statement was fictitious.

38. As “Investor Two’s” tax troubles with the IRS continued, Defendant Richards asked the investor to give him a Power of Attorney to deal with the IRS. “Investor Two” gave Defendant Richards a Power of Attorney to handle the inquiries with the IRS on the investor’s behalf.

39. Defendant Richards told “Investor Two” that LPL Financial had hired a lawyer to handle a tax appeal on the investor’s behalf. As LPL Financial had never hired a tax attorney for “Investor Two’s” tax appeal, Defendant Richards’s statement to the investor was false. The IRS is now garnishing “Investor Two’s” Social Security check because of Defendant Richards’ fraud.

40. In or about November 2012, “Investor Two” sent Defendant Richards his stock holdings in BB&T. Defendant Richards opened a non-retirement account for the investor at LPL Financial, and deposited the shares of the BB&T stock into that account. “Investor Two” then sold those BB&T shares, yielding \$114,947.88.

The majority of the proceeds were deposited into “Investor Two’s” bank account. At Defendant Richards’ instruction, “Investor Two” sent the funds back to Defendant Richards, who claimed he would buy shares of the Eaton Vance Municipal Trust bond fund (“EVN”) for “Investor Two.”

41. In early May 2013, “Investor Two” and his daughter “Investor One” met with Defendant Richards. At that time Defendant Richards gave them a statement in “Investor Two’s” name purportedly from LPL Financial, which showed a balance exceeding \$1million. The statement included holdings of Johnson & Johnson stock valued at \$270,800, EVN holdings with a value of \$216,528, and a Georgia Bond Portfolio valued at \$650,000. That statement was fictitious.

42. The only account that “Investor Two” has in reality at LPL Financial is one individual, non-retirement, account which contains a balance of less than \$25. The remainder of the funds that “Investor Two” provided to Defendant Richards has disappeared, and was misappropriated by Defendant Richards.

C. “Investor Three,” Another Widowed Woman

43. “Investor Three,” a 52 year old woman from Gainesville, Georgia, met Richards in January, 2011, after her husband had been diagnosed with terminal pancreatic cancer.

44. Richards delivered pain medication during a snowstorm in January 2011 to “Investor Three’s” husband in Richards’ four wheel drive vehicle.

45. Having heard of Defendant Richards’ supposed financial expertise from “Investor One,” “Investor Three” met with him at a time when he worked as a financial advisor with LPL Financial, and she advised the Defendant that she needed monthly income to supplement her employment income from her job as a teacher’s aide.

46. After her husband died in April, 2011, “Investor Three” received proceeds from a life insurance policy, worth approximately \$225,000, and proceeds from her husband’s retirement account, worth approximately \$231,000.

47. Defendant Richards caused the retirement proceeds to be rolled directly to LPL Financial and invested in a Prudential variable annuity in late 2011.

48. In approximately June 2011, Defendant Richards instructed “Investor Three” to write a check for \$200,000 to “Blake Richards Investments,” which he told her he would invest in a variable annuity run by The Hartford.

49. “Investor Three” wrote Defendant Richards another check in approximately August 2011 for \$19,500, also payable to “Blake Richards Investments.” Richards told “Investor Three” that he would invest these funds on her behalf through LPL Financial.

50. Over the course of 2011 and 2012, “Investor Three” received monthly checks from Defendant Richards in the form of cashier’s checks drawn on a SunTrust Bank account. Defendant Richards led “Investor Three” to believe that these funds were monthly draws on the bonuses on her variable annuities, which “Investor Three” understood were held with The Hartford and Prudential.

51. Defendant Richards typically personally delivered the cashier’s checks to “Investor Three’s” home.

52. While Prudential at one time held a variable annuity in the name of “Investor Three,” The Hartford has never had a variable annuity in that investor’s name.

53. When “Investor Three” asked Defendant Richards why the funds were not direct deposited into her bank account and were instead being sent by cashier’s check, Defendant Richards told the investor that it “took a few days” for the funds to be processed through LPL Financial, which required him to send cashier’s checks instead.

54. “Investor Three” never received statements from The Hartford reflecting her variable annuity supposedly held by that company.

55. In late 2012 or early 2013, Defendant Richards told “Investor Three” that he wanted to transfer her variable annuity from The Hartford to Jackson National Life Insurance, which purportedly had better rates. “Investor Three”

agreed, but never received confirmation of the transaction or any statements from Jackson National Life Insurance.

56. “Investor Three” has never had an account or a policy with Jackson National Life Insurance.

57. Around that same time, Defendant Richards told “Investor Three” that he wanted to sell approximately \$100,000 of her variable annuity to buy shares in the upcoming Facebook IPO. “Investor Three” expressed concern about the sale and the need to put the funds back within 60 days, as required by the IRS. Defendant Richards assured his client that he would replace the funds within 60 days.

58. Defendant Richards later advised “Investor Three” that he had made her almost \$18,000 in the Facebook IPO, however, the investor never received confirmation of any purchase or sale of Facebook shares.

59. In the spring of 2013, Defendant Richards called “Investor Three” and asked that she sign paperwork to transfer funds from her Prudential variable annuity because of what he advised was “negative news” coming out of Prudential.

60. Later in 2013, “Investor Three” reviewed purported account statements for her account given to her by Defendant Richards. These statements showed a purported value of \$518,445 and included purported investments in Jackson National Life Insurance and Eaton Vance Municipal Income.

61. The statement is not on LPL Financial letterhead, and is a fictitious statement. Substantial funds of “Investor Three” are unaccounted for.

D. “Investor Four” and “Investor Five,” A Retired Married Couple

62. “Investor Four” and “Investor Five” are a married couple, and are husband and wife, respectively. They are retirees who also invested money with Defendant Richards.

63. Richards represented to “Investor Four” and/or “Investor Five” that he used some of the money from “Investor Four” and “Investor Five” to set up a trust. The IRS has also been asking questions related to the trust. Richards told “Investors Four and Five” that he engaged the services of a CPA to address these questions.

64. Based upon discussions with Richards, “Investor Four” and “Investor Five” understood that Richards used the remainder of their money to invest in bonds in their LPL Financial account. When they requested money from their LPL Financial account, Richards routinely prepared a manual deposit slip at a branch of their bank, United Community Bank. LPL Financial has no record of transfers made from its custody to “Investor Four” and “Investor Five.”

65. The retired married couple thought the combined value of their trust and LPL Financial account was recently around \$400,000. In fact, their LPL Financial account only has a Prudential variable annuity worth about \$56,000.

COUNT I--FRAUD

Violations of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)]

66. Paragraphs 1 through 65 are hereby realleged and are incorporated herein by reference.

67. From at least October 2008 through the present, Defendant Richards has, in the offer and sale of the securities described herein, by the use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly, employed devices, schemes and artifices to defraud purchasers of such securities, all as more particularly described above.

68. The Defendant Richards knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud.

69. In engaging in such conduct, Defendant Richards acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

70. By reason of the foregoing, Defendant Richards, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT II--FRAUD

Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act

[15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]

71. Paragraphs 1 through 65 are hereby realleged and are incorporated herein by reference.

72. From at least October 2008 through the present, Defendant Richards, in the offer and sale of the securities described herein, by use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly:

a) obtained money and property by means of untrue statements of material fact and omissions 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

b) engaged in transactions, practices and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities,

all as more particularly described above.

73. By reason of the foregoing, Defendant Richards, directly and indirectly, has violated and, unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

COUNT III--FRAUD

**Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)]
and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]**

74. Paragraphs 1 through 67 are hereby realleged and are incorporated herein by reference.

75. From at least October 2008 through the present, Defendant Richards, in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

- a) employed devices, schemes, and artifices to defraud;
- b) made untrue statements of material facts and 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) engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

76. Defendant Richards knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements of material facts and omitted to state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, the

Defendant acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

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

COUNT IV—FRAUD BY INVESTMENT ADVISER
Violations of Sections 206(1) and 206(2) of the Advisers Act
[15 U.S.C. § 80b-6(1), (2)]

78. Paragraphs 1 through 65 are hereby realleged and are incorporated herein by reference.

79. From 2008 through the present, Defendant Richards while acting as an investment adviser, directly or indirectly, by the use of the mails or any means or instrumentality of interstate commerce: (a) has acted knowingly or recklessly, has employed devices, schemes, or artifices to defraud; and (b) has engaged in transactions, practices, or courses of business which operated as fraud or deceit upon a client or prospective client.

80. By reason of the transactions, acts, omissions, practices and courses of business set forth herein, Defendant Richards violated, and unless enjoined will violate Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1),(2)].

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Commission respectfully prays for:

I.

Findings of Fact and Conclusions of Law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that the Defendants named herein committed the violations alleged herein.

II.

A temporary restraining order, preliminary and permanent injunctions enjoining Defendant Richards, his officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with him who receive actual notice of the order of injunction, by personal service or otherwise, and each of them, whether as principals or as aiders and abettors, from violating, directly or indirectly, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder, and Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1), (2)].

III.

An order imposing an asset freeze on assets of Defendant Richards, requiring an accounting by him of the use of investor funds described in this Complaint, directing Defendant Richards not to destroy documents.

IV.

An order directing Defendant Richards to pay disgorgement of all ill-gotten gains or unjust enrichment and to pay prejudgment interest on the amount ordered to be disgorged, to effect the remedial purposes of the federal securities laws.

V.

An order pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] and Sections 209(d) and 209(e) of the Advisers Act [15 U.S.C. §§ 80b-9(d)-(e)] imposing civil penalties against Defendant Richards.

VI.

Issue an Order that retains jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may have been entered or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

VII.

Grant such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors.

RESPECTFULLY SUBMITTED,


Edward G. Sullivan
Senior Trial Counsel
Georgia Bar No. 691140

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