

**IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
WACO DIVISION**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

**LEROY BROWN, JR. and
LB STOCKS AND TRADES ADVICE LLC,**

Defendants.

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Case No.: 6:15-cv-119

COMPLAINT

Plaintiff Securities and Exchange Commission (the “Commission” or “SEC”) files this Complaint against Defendants Leroy Brown, Jr. and LB Stocks and Trades Advice LLC (collectively “Defendants”), and alleges as follows:

SUMMARY

1. Since at least January 2014, Leroy Brown, Jr., a resident of Killeen, Texas (home to the Fort Hood military installation), has engaged in fraudulent conduct and perpetrated a fraudulent scheme to lure current and former U.S. military personnel and others into investing with him and his firm, LB Stocks and Trades Advice LLC (“LB Stocks” or the “Company”).

2. In soliciting prospective investors, Brown has made – and continues to make – numerous material misrepresentations and highly dubious claims about:

- securities licenses and registrations that Brown, LB Stocks, and related companies purportedly have with the Securities and Exchange Commission and the Financial Industry Regulatory Authority (“FINRA”);
- Brown’s purported experience as a broker in the financial services industry;

- purported companies owned by Brown and affiliated with LB Stocks that purportedly provide a variety of investment-related services, including investment advice, portfolio management, investment research, and brokerage services;
- “stock brokers” that LB Stocks allegedly employs and Brown purportedly trains;
- exorbitant returns that investors are *guaranteed* to earn if they invest with him (including doubling or tripling investor money in less than 120 days);
- “affiliates,” corporate investors, and corporate partners with whom LB Stocks purportedly maintains business relationships, including, among others, Walmart, Apple, Sony, Microsoft, Best Buy, HP, USA Today, and McAfee; and
- offices that LB Stocks supposedly maintains in New York City’s financial district and in San Francisco.

3. Based on these intentional misrepresentations, Brown solicits investors to purchase \$1,000 membership certificates in LB Stocks to participate in the Company’s purported investments in undeveloped real estate that Brown *guarantees* will double or triple the investors’ investments. Brown also represents that he and LB Stocks trade stocks, mutual funds, exchange-traded funds (“ETFs”), commodities, and foreign exchange currencies for their clients.

4. Based on these activities and the conduct alleged below, Brown and LB Stocks have offered and sold securities in violation of the antifraud and securities registration provisions of the federal securities laws, specifically Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (“Securities Act”), and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder. Additionally, unless Brown and LB Stocks are enjoined by this Court, they will continue to fraudulently offer and sell securities in violation of federal law.

5. To protect the public from any further fraudulent activity and harm, the Commission brings this action against Brown and LB Stocks, seeking: (i) temporary emergency and preliminary relief; (ii) permanent injunctive relief; (iii) disgorgement of ill-gotten gains

resulting from Defendants' violations of the federal securities laws; (iv) accrued prejudgment interest on those ill-gotten gains; and (v) civil monetary penalties.

JURISDICTION AND VENUE

6. Defendants Brown and LB Stocks offer and sell membership certificates in LB Stocks to fund the Company's purported purchases of undeveloped tracts of land. Brown promises investors that LB Stocks will "double" their original investment, based solely on the efforts of Brown and LB Stocks. These membership certificates are "investment contracts" and therefore satisfy the definition of a "security" in Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c]. Additionally, Brown and LB Stocks represent that investors can purchase – through LB Stocks – stocks, bonds, mutual funds, exchange-traded funds ("ETFs"), commodities, and foreign exchange investments. Thus, the Court has jurisdiction over this action pursuant to Sections 20(b) and 22(a) of the Securities Act [15 U.S.C. § 77t(b) and 77v(a)] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78(aa)].

7. Venue is proper because a substantial part of the events or omissions giving rise to the claims in this action occurred within the Western District of Texas, Waco Division. Defendant Leroy Brown, Jr. resides in Killeen, Texas, and Defendant LB Stocks and Trades Advice LLC maintains its principal place of business in Temple, Texas. Both locations are within Bell County, Texas, which is within the Waco Division of the Western District of Texas.

DEFENDANTS

8. **Leroy Brown, Jr.**, age 32, resides in Killeen, Texas. From approximately 2001 through July 2013, Brown was a member of the United States Army. Beginning at least as early as January 2014, Brown began soliciting current and former members of the U.S. military to

invest their money with him and his company, LB Stocks and Trades Advice LLC. Brown is the founder, managing member, and Chief Executive Officer of LB Stocks and Trades Advice LLC. Brown is not, and has never been, licensed or registered in any capacity with FINRA, the SEC, or any state securities regulator.

9. **LB Stocks and Trades Advice LLC (“LB Stocks”)** is a limited liability company organized under the laws of the state of Texas that maintains its offices and principal place of business in Temple, Texas. LB Stocks is not, and never has been, registered with FINRA, the SEC, or any state securities regulator. Similarly, LB Stocks has not registered any offering of its securities.

STATEMENT OF FACTS

10. Brown began his service in the U.S. Army in approximately June 2001, when he was 18-years-old. He served for nearly 12 years until he was discharged in approximately July 2013. Prior to forming LB Stocks, Brown did not have any formal educational or work experience in the financial services industry. In fact, Brown appears to be unknowledgeable about the financial services industry, investments, and the securities industry generally.

Brown Forms LB Stocks and Trades Advice LLC

11. In April 2014, Brown legally formed LB Stocks, filing a Certificate of Formation with the Texas Secretary of State. Despite this timing, Brown represents on his Facebook page that he has been the CEO and founder of LB Stocks since *2004*.

12. Moreover, Brown and LB Stocks dubiously claim that they “have been the underdog in financial services for many years while we worked for big companies, now it’s our time to work for YOU as well as many that want to get ahead.”

13. Brown and LB Stocks make other specious claims on LB Stocks' websites and other media that reflect a basic misunderstanding of the financial markets. For example, Brown states on LB Stocks' Facebook page that, "[a]s of 06/20/2014 LB Stock&Trades Advice is not accepting any new clients. Also I will be getting a IPO meaning entering my company into the stock market ticket symbol LBJ. Thank you God. BOOM POW BAM[.]" (errors in original). In fact, there has never been an initial public offering of *stock* in LB Stocks, nor is it a publicly traded company. Moreover, the stock ticker symbol "LBJ" is already in use.

Misrepresentations about Professional Registrations and Licensing

14. On the LB Stocks website, Brown and LB Stocks claim to provide – through purportedly affiliated companies – a variety of securities and investment-related services, including investment advice, portfolio management, investment research, and brokerage services for securities, currencies, commodities, and real estate. In particular, they represent that: (i) LB Securities LLC ("LB Securities") provides "[i]nvestment recommendations" and is "a broker-dealer member of FINRA;" (ii) LB Capital Management, LLC ("LB Capital") provides "[p]ortfolio management services" and is "an investment adviser registered with the SEC;" and (iii) LB Stocks has stockbrokers to handle client accounts to "make it easy to trade stocks, bonds, ETFs, mutual funds and more by doing it for you." As Brown knows, these claims and representations are false.

15. LB Securities is not registered with FINRA in any capacity. Likewise, LB Capital is not registered with the SEC in any capacity. In fact, there is no evidence that these other "LB" Companies even exist. There is only one, lone reference to LB Securities and LB Capital on LB Stocks' website, and this language (in paragraph 14 above) was simply copied from the websites of E*TRADE and MyHouseDeals.com.

16. Similarly, Brown is **not**: (i) licensed as a securities professional; (ii) registered with FINRA or any state securities regulator; or (iii) associated with any entity that is registered with FINRA, the SEC, or any state securities regulator. Likewise, LB Stocks is not registered with FINRA or the SEC, nor is it affiliated with any registered entity. And, there are no brokers who are registered representatives of LB Stocks or any other LB-related entity.

Brown and LB Stocks Misrepresent Material Facts to Intentionally Mislead Investors about LB Stocks' Legitimacy and Success

17. Brown and LB Stocks fabricate a false air of legitimacy and success by making numerous misrepresentations to investors about LB Stocks' purported services and business relationships.

18. For example, on the "Frequently Asked Questions" ("FAQ") page of LB Stocks' website, Brown and LB Stocks represent, among other things, that:

- LB Stocks' "investment recommendations are provided by representatives from LB Securities LLC, a broker-dealer member of FINRA;"
- LB Stocks' "[p]ortfolio management services are provided by LB Capital Management, LLC, an investment adviser registered with the SEC;"
- LB Stocks "offers 7,600 leading mutual funds, including hundreds of Morningstar rated funds" and "every exchange-traded fund (ETF) sold;" and
- investors can "[t]rade over 200 futures products, including indexes, metals, and currencies using our professional-grade TT Trader platform, the first institutional-quality futures trading platform available to individual traders with no platform fees."

These representations about LB Securities and LB Capital are patently false. Neither company is registered with FINRA or the SEC in any capacity. In fact, there is no evidence that these companies even *exist*, as Brown and LB Stocks simply copied these statements directly from the FAQ page of E*TRADE's website – changing E*TRADE Securities and E*TRADE Capital Management to LB Securities and LB Capital Management, respectively. LB Stocks'

claims about its purported brokerage services for mutual funds, ETFs, and futures – which were also copied directly from the FAQ page of E*TRADE’s websites – are false as well.

19. Brown makes additional claims about LB Stocks’ purported brokerage services, including statements that:

- LB Stocks is a “full-service broker at your convenience;”
- Brown and LB Stocks have hired up to 63 “highly skilled and highly qualified stockbrokers to handle client accounts” who will do “everything they need to double [investors’] money;” and
- Brown personally holds *all* securities licenses.

These representations are false. LB Stocks is not registered with FINRA or the SEC in any capacity, no brokers are registered representatives of LB Stocks (or any LB-related entity), and Brown does not hold any securities licenses. All representations to the contrary are false.

20. Brown and LB Stocks also represent to prospective investors that: (i) LB Stocks invests its clients’ money in the stock market; (ii) LB Stocks’ investments in the market are insured; (iii) LB Stocks “always be in the green,” implying that LB Stocks does not suffer investment losses; and (iv) Walmart is one of LB Stocks’ corporate investors. These representations are false or misleading.

21. Brown and LB Stocks further claim that LB Stocks is “the trusting [sic] custodian of assets on behalf of more than 65,000 clients and growing” and that LB Stocks is a business partner with several large, well-known global companies, including Walmart, Apple, Microsoft, HP, Sony, Best Buy, USA Today, McAfee, and CharityUSA.com.

22. Given that LB Stocks was formed in April 2014 and Brown had no prior experience in financial services when he formed the Company, it is improbable that LB Stocks

has more than 65,000 clients or that it maintains business relationships with these large, well-known companies.

23. Brown and LB Stocks also represent that LB Stocks has offices in (i) Temple, Texas, (ii) New York City's Financial District, and (iii) San Francisco. However, there is no evidence that Brown or LB Stocks maintains offices in New York or San Francisco.

Brown and LB Stocks Target Members of the U.S. Military

24. Brown resides in Killeen, Texas, which is home to the Fort Hood military installation. In soliciting investors, Brown and LB Stocks target current and former members of the U.S. military and their families by touting Brown's 12-year tenure in the U.S. Army. Brown and LB Stocks also purport to provide investment services for U.S. military and other government personnel, such as "Military Deployment [and] Redeployment Investment Solutions" and "Low Income Family Advice." Additionally, Brown and LB Stocks provide several testimonials – on LB Stocks' website and Facebook pages – from individuals that claim to be clients and current or former service members in the U.S. military, including some who are or were stationed at Fort Hood.

25. Brown and LB Stocks also solicit investors through the Company's mobile application ("App") available from Amazon.com. In promoting this App, Brown states;

"I'm Leroy Brown CEO of LB S&T Advice . . . after being in the army for more than 12 years, finishing ALT, WLC, ALC and SLC never once finance was subject but I already was studying stocks, mutual funds at a young age. By doing that I already set myself apart from the Army." (errors in original).

26. In a December 19, 2014 video posted on LB Stocks' website, Brown repeatedly "guarantees" that LB Stocks will "double your money."¹ He also claims that LB Stocks'

¹ Brown states: (i) "Property investment is double your investment. . . . [Y]ou are always guaranteed to get double your money. If you sell it for triple, you will get triple your money[;]" (ii) "Small business investments. . . . [W]e

property investments will “double your money in a conservative . . . way” and that “[y]ou cannot lose in property investment.” In addition, Brown’s video presentation includes other false and misleading written statements, including figures indicating that investors can expect to *double* or *triple* their investments with LB Stocks.

Brown and LB Stocks Fraudulently Induces Equity Investments in LB Stocks

27. Brown and LB Stocks solicit investors to purchase membership certificates in the Company for \$1,000 per certificate. They claim that investors who purchase these certificates will participate in LB Stocks’ speculative investments in raw, undeveloped land. Brown further represents that he and LB Stocks use the investor funds to finance 20 percent of the purchase prices for these investments. To purchase membership certificates, Brown and LB Stocks encourage prospective investors to transfer funds directly to Brown via wire transfer.

28. Brown further claims that he and LB Stocks will purchase, manage, and market the undeveloped land for sale, and that, once the properties are sold, LB Stocks will double each investor’s original investment. According to Brown, investors have three options for their investments once they have been doubled by LB Stocks: (i) receive a distribution of funds, (ii) reinvest the funds in new properties allegedly purchased by LB Stocks, and (iii) invest in stocks, commodities, and foreign exchange investments through LB Stocks (or an affiliate).

Brown and LB Stocks Obtained Investor Funds

29. Beginning in the first quarter of 2014, Brown began receiving substantial deposits of funds into his *personal* brokerage account. These deposits show that Brown received funds from investors who intended to invest *in*, or *with*, LB Stocks. In fact, wire transfer details for several of these deposits specifically reference LB Stocks as the “Acct Party” in the receiving

invest into brand new businesses that we manage Before we put money into a business, we want to make sure we have a positive return. On a positive return, guarantees you double your money.”

account field – even though the funds were deposited or transferred directly into Brown’s *personal* brokerage account. Ultimately, Brown transferred nearly all of these funds from his personal brokerage account to his personal bank accounts.

FIRST CLAIM FOR RELIEF

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

[against Defendants Leroy Brown, Jr. and LB Stocks and Trades Advice LLC]

30. The Commission repeats, re-alleges, and incorporates by reference Paragraphs 1 through 29 of this Complaint, as if fully set forth herein.

31. By engaging in the conduct described herein, Defendants Leroy Brown, Jr. and LB Stocks and Trades Advice LLC, directly or indirectly, singly or in concert with others, in the offer or sale of securities, by use of the means or instrumentalities of interstate commerce or of the mails, knowingly or with severe recklessness, employed devices, schemes, or artifices to defraud.

32. By engaging in the foregoing misconduct, Defendants Leroy Brown, Jr. and LB Stocks and Trades Advice LLC, directly or indirectly, singly or in concert, in the offer or sale of securities, by use of the means or instrumentalities of interstate commerce or of the mails, and at least negligently: (i) obtained money or property by means of untrue statements of material fact or 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 (ii) engaged in transactions, practices, and/or courses of business which operate as a fraud or deceit upon purchasers, prospective purchasers, and other persons.

33. Defendants Leroy Brown, Jr. and LB Stocks and Trades Advice LLC made the above-referenced misrepresentations and omissions knowingly or with severe recklessness with

regard for the truth. Defendants were also negligent in their actions regarding the representations and omissions alleged herein.

34. By engaging in this conduct, Defendants Leroy Brown, Jr. and LB Stocks and Trades Advice LLC violated, and unless enjoined will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

SECOND CLAIM FOR RELIEF

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

[against Defendants Leroy Brown, Jr. and LB Stocks and Trades Advice LLC]

35. The Commission repeats, re-alleges, and incorporates by reference Paragraphs 1 through 29 of this Complaint, as if fully set forth herein.

36. By engaging in the foregoing misconduct, Defendants Leroy Brown, Jr. and LB Stocks and Trades Advice LLC, in connection with the purchase or sale of securities, by use of means or instrumentalities of interstate commerce or of the mails, or of any facility of any national securities exchange, directly or indirectly: (i) employed devices, schemes, or artifices to defraud; (ii) 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 (iii) engaged in acts, practices, and courses of business which operate as a fraud or deceit upon persons, including purchasers or sellers of securities.

37. Defendants Leroy Brown, Jr. and LB Stocks and Trades Advice LLC made the above-referenced misrepresentations and omissions knowingly or with severe recklessness regarding the truth.

38. By reason of the foregoing, Defendants Leroy Brown, Jr. and LB Stocks and Trades Advice LLC 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].

THIRD CLAIM FOR RELIEF

**Violation of the Securities Registration Provisions of the Securities Act
Section 5(a) and 5(c) [15 U.S.C. §§ 77e(a) and 77e(c)]**

[against Defendants Leroy Brown, Jr. and LB Stocks and Trades Advice LLC]

39. The Commission repeats, re-alleges, and incorporates by reference Paragraphs 1 through 29 of this Complaint, as if fully set forth herein.

40. Defendants Leroy Brown, Jr. and LB Stocks, directly or indirectly, singly or in concert with others, have made use of the means or instruments of transportation or communication in interstate commerce, or of the mails, to offer and sell securities, through the use of written contracts, offering documents, and otherwise, when no registration statements were filed or in effect as to such securities, and when no exemption from registration was applicable.

41. By reason of the foregoing, Defendants Leroy Brown, Jr. and LB Stocks have 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)].

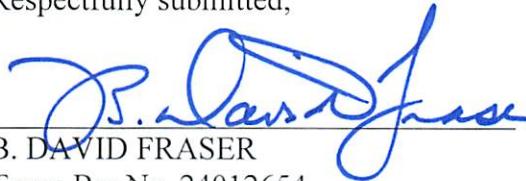
PRAYER FOR RELIEF

For these reasons, the Commission respectfully requests that this Court enter a final judgment:

- a. Temporarily and permanently enjoining Leroy Brown, Jr. and LB Stocks and Trades Advice LLC from violating Sections 5(a), 5(c), and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder;

- b. Temporarily and permanently enjoining Leroy Brown, Jr. and LB Stocks and Trades Advice LLC from, directly or indirectly, including but not limited to through any entity owned or controlled by Brown or LB Stocks: (a) participating in the issuance, purchase, offer, or sale of any security, and (b) soliciting money for any trading in securities; provided, however, that such injunction shall not prevent Brown or LB Stocks from purchasing or selling securities for their own personal accounts;
- c. Ordering Leroy Brown, Jr. and LB Stocks and Trades Advice LLC to disgorge an amount equal to the funds and benefits they obtained illegally as a result of the violations alleged herein, plus prejudgment interest on that amount;
- d. Ordering Leroy Brown, Jr. and LB Stocks and Trades Advice LLC to pay civil monetary penalties, pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Sections 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], for their violations of the federal securities laws as alleged herein; and
- e. Granting such additional relief as the Court deems just, appropriate, and equitable.

Respectfully submitted,



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DATED: April 13, 2015

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