

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 87438 / November 1, 2019

ADMINISTRATIVE PROCEEDING
File No. 3-19519

In the Matter of

JAMES VANBLARICUM,

Respondent.

**ORDER MAKING FINDINGS AND
IMPOSING REMEDIAL SANCTIONS
PURSUANT TO SECTION 15(b) OF
THE SECURITIES EXCHANGE ACT
OF 1934**

I.

On September 25, 2019, the Securities and Exchange Commission (“Commission”) issued an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Notice of Hearing against Respondent James VanBlaricum (“VanBlaricum” or “Respondent”).

II.

In connection with these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent admits the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in paragraphs III.2 and III.4 below, and consents to the entry of this Order Making Findings and Imposing Remedial Sanctions Pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. VanBlaricum, 80, formerly a resident of Colleyville, Texas, controlled Texas Energy Mutual, LLC ("TEM"), an oil and gas company headquartered in Grapevine, Texas, that, from at least 2013 through August 2016, offered 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.

2. On July 6, 2018, a final judgment was entered by consent against VanBlaricum, 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, among other things, that VanBlaricum, a securities fraud recidivist, was the driving force behind the fraudulent TEM scheme. Because he had a history of operating fraudulent investment schemes, VanBlaricum concealed his involvement by recruiting others to serve as TEM's public faces. In reality, however, VanBlaricum was the *de facto* head of TEM and controlled its day-to-day business operations, including TEM's salesforce. The Complaint also alleged that VanBlaricum and others drafted the offering materials and helped prepare and review TEM's website. The Complaint also alleged that he knew the offering materials and website contained materially misleading and false information, including: (1) that the securities had a guaranteed return of 10% per year; (2) that the drilling programs were productive and profitable, when many of the wells were dry holes; and (3) that 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. VanBlaricum controlled TEM, but concealed his involvement and used an alias when dealing with investors to hide his past history with Signal Oil and Gas Company ("Signal"), another securities fraud he operated immediately before TEM. The Complaint also alleged that TEM paid its salespeople hefty, undisclosed commissions—30% commissions for the Thunderhead program and 10% for the MILP program—and that VanBlaricum and the other defendants failed to disclose their commissions to investors over the phone or in face-to-face meetings when offering or selling interests. The Complaint also alleged that VanBlaricum directed and controlled the TEM salesforce, in addition to acting as an unregistered broker himself by offering and selling to investors units in the two investment programs (and in promissory notes) and receiving transaction-based compensation for those sales.

4. On February 15, 2017, VanBlaricum pled guilty to one count of mail fraud in violation of 18 U.S.C. § 1341 before the United States District Court for the Northern District of Texas, in *United States v. James VanBlaricum*, Case No. 4:16-CR-00283-Y(01), in connection with the TEM scheme to defraud investors, as well as the Signal fraud. On September 11, 2017, a

judgment in the criminal case was entered against VanBlaricum, sentencing him to 84 months in prison, followed by three years of supervised release. He was also ordered to make restitution in the amount of \$32,464,041.43.

5. In connection with that plea, Respondent admitted, among other things, that he:
 - a) devised and executed a scheme and artifice to defraud and to obtain money by materially false and fraudulent pretenses, statements, representations, and promises;
 - b) controlled and operated TEM and raised capital for investment in mineral leases and for oil and gas exploration and development;
 - c) raised millions of dollars from investors by various means, including selling securities in the form of private joint ventures;
 - d) communicated with investors both orally and in writing, in face-to-face meetings, and by means and instrumentalities of interstate commerce such as mail, express couriers, telephone, and e-mail;
 - e) deceived TEM investors and potential investors, and fraudulently induced them to invest money (or leave it invested) with TEM by misrepresenting that investors would earn an “assured” rate of return on their initial investment, receive a full refund of their initial investment after a defined period, and that their money would be used to purchase mineral leases and develop oil and gas wells, when, in fact, VanBlaricum knew he 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, including payment of purported investment returns to other investors, excessive commissions to sales agents, and payment of personal expenses for VanBlaricum and his family, friends, and business associates;
 - f) misrepresented that the oil and gas projects were productive, when in fact many were dry holes, produced oil for only a short period of time, or were never drilled;
 - g) misled investors by using a false name when communicating with them to prevent them from finding out about his prior oil and gas fraud with Signal and other detrimental information on the internet associated with his real name; and
 - h) secretly and without authorization took and spent money entrusted to him by investors for purposes that the investors neither approved nor knew

about, and that were unrelated to the businesses in which the investors believed they were investing, including but not limited to advertising, vacations and international travel, rent payments, automobile purchases, and payroll and excessive commissions for sales agents.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent VanBlaricum's Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act, that Respondent VanBlaricum be, and hereby is, barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

Pursuant to Section 15(b)(6) of the Exchange Act Respondent VanBlaricum be, and hereby is barred from participating in any offering of a 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.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, compliance with the Commission's order and payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against the Respondent in any action brought by the Commission; (b) any disgorgement amounts ordered against the Respondent for which the Commission waived payment; (c) any arbitration award related to the conduct that served as the basis for the Commission order; (d) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (e) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

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

Vanessa A. Countryman
Secretary