

Exhibit SSB-1

AFFIDAVIT OF KAREN L. BRISCO-RICHARDS

STATE OF TEXAS §

COUNTY OF HARRIS §

KAREN L. BRISCO-RICHARDS, being duly sworn, deposed and states as follows:

INTRODUCTION

1. I am employed as an Assistant Director of Enforcement with the Enforcement Division of the Texas State Securities Board (hereinafter referred to as the "Securities Board"), assigned to the Houston Branch Office located at 1919 North Loop West, Suite 660, Houston, Texas 77008. I have been employed in this capacity for approximately three years. Prior to this employment, I was employed for approximately four years as an Enforcement Attorney with the Enforcement Division in the Houston Branch Office. In my capacity as Assistant Director of Enforcement, I am familiar with the Texas securities laws contained within the Texas Statutes, specifically the Securities Act of Texas, TEX.REV.CIV.ANN. art. 581-1 *et seq.* ("hereinafter referred to as the "Act"), as well as the regulations and case law interpreting the Act. The Securities Board is charged with enforcing the provisions of the Act.

2. This affidavit is made pursuant to and in support of the PLAINTIFF'S ORIGINAL VERIFIED PETITION AND APPLICATION FOR APPOINTMENT OF, RECEIVER, TEMPORARY RESTRAINING ORDER, TEMPORARY AND PERMANENT INJUNCTIONS, AND RESTITUTION filed by the Texas Attorney General upon the request of the Securities Commissioner of Texas.

3. I researched official records to learn about the registration status of the defendants, both the individuals and entities, any securities enforcement actions, and other matters. I also obtained additional information about the defendants and their securities-related activities from the Harris County District Attorney's Office (hereinafter referred to as "HCDA"), which obtained the information, via, seized documents, records, witnesses, investors, and other sources, subsequent to the execution of search and arrest warrants in connection with the defendants' business activities. It is from my personal review of documents, records and reports obtained and/or generated by the Securities Board and the HCDA, and from my personal review of databases, that my information comes, unless otherwise stated.

II.

THE INVESTIGATION

4. The Securities Board began a preliminary investigation into the suspicious activities of Lanny Blake Lown and One West Financial Services around June of 2002.

5. The investigation was initiated subsequent to an inquiry from a member of the general public regarding an investment opportunity being offered from Houston, Texas. David Grauer, Director of Enforcement of the Securities Board, forwarded the matter to me for review.

6. The Securities Board received another inquiry regarding the same investment opportunity, being offered by One West Financial Services, Lanny Lown, and "Laurie" Franz. This inquiry was also forwarded to me.

7. A review of databases maintained by the Securities Board and other agencies revealed that One West Financial Services, Lanny Lown ("Lown"), and "Laurie" Franz ("Franz") were not registered with the Securities Commissioner or in accordance With the Securities Act.

8. I learned from a member of the general public inquiring about One West Financial Services, Lown, and Franz, that they were soliciting individuals to fund purchases of precious metals which would then be sold to government contractors at a huge mark up. I further learned, from this particular inquiry, that they were offering eight to ten percent monthly.

9. I sent a come-hither letter, on behalf of the Securities Commissioner, to Lanny B. Lown, One West Financial Services, on or about August 27, 2002, inquiring about his securities related business activities and requesting all documents and records relating to such activities. A copy of said come-hither letter and green receipt are attached as **Exhibit SSB-4**.

10. Lown subsequently e-mailed me directly, indicating that the Securities Board had been "severely mis-informed as to the services this company provides" and provided me with two contact telephone numbers.

11. I spoke with Lown on or about September 2, 2002, and asked that he provide a written response with the information requested by the Securities Board.

12. The Securities Board never received the requested response from Lown.

13. On or about October 4, 2002, Jennifer Jones (hereinafter referred to as "Jones", an Enforcement Division Investigator, was contacted by an individual named Mike Thompson who provided information concerning Lown and his activities, which Mr. Thompson learned about via an assistant whose parents were solicited by Lown and from a subsequent meeting with Lown. A Memorandum of Interview is attached as **Exhibit SSB-5**.

14. On or about November 5, 2002, Jones and I interviewed an individual named John David Powell regarding a meeting he had with Lown during which he was solicited by Lown to invest in the buying and selling of precious metals. A Memorandum of Interview is attached as

Exhibit SSB-6.

15. On or about March 3, 2003, Jones interviewed William Mansel regarding a meeting Mansel had with "Freddie Geick" of One West Financial Services concerning an investment opportunity involving the buying and selling of precious metals. A Memorandum of Interview is attached as **Exhibit SSB-7**.

16. On or about March 7, 2003, I was contacted by an individual named Troy Elmore regarding a meeting with Lown about an investment in the buying and selling of precious metals. A Memorandum of Interview is attached as **Exhibit SSB-8**.

17. Around the first week of March of 2003, I was contacted by Russel Turbeville (hereinafter referred to as "Turbeville"), Chief of the Consumer Fraud Division of the HCDA, regarding the suspicious business activities of One West Financial Services and Lown

18. Subsequently, in March of 2003, the HCDA executed several search and arrest warrants in connection with this matter. Documents and records seized as a result of the search warrants were reviewed by the HCDA, and the documents and/or records, and/or HCDA work product summarizing the information contained within the documents and/or records, were provided to the Securities Board for review.

19. I learned the following from the investigations conducted thus far by the Securities Board and the HCDA:

III.**DEFENDANTS' FRAUDULENT INVESTMENT SCHEME**

20. Documents seized during the search of Defendants' place of business and residences have revealed that the Defendants have raised millions of dollars from the sale of unregistered

securities, in the form of investment contracts involving a precious Metals trading program; to Texas residents and residents of several other states.

21. One West Financial Services, through its principals and agents who are not registered with the Commissioner, entices investors with substantial rates of return on their investment in a short period of time. From January 1, 2002, to the present, Defendants have offered for sale and sold these unregistered securities, to known Texas investors and to known investors in several other states, from the One West Financial Services office located in Houston, Texas. In violation of art. 581-12 of the Securities Act, the defendants are not registered with the Commissioner as dealers, agents or salesmen. Further, in violation of art. 581-7.A of the Securities Act, the securities offered for sale and sold by Defendants are not registered with the Commissioner.

22. In connection with the offer for sale and sale of the securities, Defendants represent to investors that they purchase titanium or titanium alloys from an overseas vendor and sell it to the United States government and its contractors to be used in submarines and other United States defense weapons and systems. Defendants further represent that investor funds are used to bid on the contracts. Defendants entice people with the promise of substantial profits or rates of return up to ten percent per month.

23. Defendants meet with investors. They provide potential investors with an information form to complete and with business cards. The information form requests checking and savings account numbers. At the end of the meeting, potential investors are provided with pre-addressed stamped envelopes in which to mail the investment check(s) back to Defendants.

24. An examination of Defendants investor files by the HCDA revealed that Defendants' solicited at least 398 people to invest in the metals trading program. A list of investors is attached

as **Exhibit HCDA-2**. Many of the investors worked for Lyondell Citgo, a refinery located in Pasadena, Texas. Between January 1, 2002, and early March 2003, Defendants collected a total of approximately \$13,400,000.00 in investor funds.

25. An examination of Defendants financial and bank records by the HCDA revealed that Defendants had an existing balance of approximately \$900,000.00 in the primary account at Frost Bank which had been exhausted at the time of the execution of the search warrant. Between January 1, 2003 and March 13, 2003, Defendants had collected approximately \$3,600,000.00 in investor funds for the metals trading program. There were no deposits from the purported sales of any precious metals. Approximately \$217,000.00 of the investor deposits during this period was returned to investors as purported trading profits. Approximately \$900,000.00 of the funds was expended on the bills or personal expenses of investors for their benefit. Approximately \$1,430,000.00 of the investor funds was spent by Defendants on extravagancies such as jewelry, vehicles, credit cards, furniture, art, and other luxuries. Approximately \$1,700,000.00 of the investor funds was transferred to another account.

26. Of the approximately \$13,400,000.00 that Defendants collected in investor funds, approximately \$4,000,000.00 was used to repay investors as purported metals trading, profits, withdrawals on investment principal, or payment of investors' bills. The payments that Defendants made on behalf of or to earlier investors came solely from new investor deposits. The entire trading program is a "Ponzi" scheme. The financial records reviewed by the HCDA reflected no investments in titanium or any other traded metals.

27. Defendant Lown currently has title to 28 vehicles purchased with approximately \$1,500,000.00 of the investor funds. He also leased several dozen additional vehicles for himself,

his employees, family and friends. Defendants Lown and Franz have title to five nice-to-extravagant Houston homes. Approximately \$600,000.00 of the investor funds were used to purchase furnishings. Credit card charges for Defendants and associates during this period account for another \$1,000,000.00. Defendant Lown has spent approximately \$1,200,000.00, for personal jewelry since January 2002. He also used investor finds to charter jets and travel. Defendant Lown was arrested in connection with this matter. His bond and a substantial retainer paid to his lawyers were paid with investor funds which were transferred to Defendant Franz's personal account at a local credit union. Approximately \$220,000.00 was transferred from one of Defendant Lown's accounts to an account held by Defendant Franz. Defendant Franz subsequently withdrew approximately \$205,000. Of that amount, approximately \$100,000.00 was used to pay Defendant Lown's bond and approximately \$105,000.00 was used to pay Defendant Lown's attorney. Only approximately \$ 21,000.00 remained in Defendant Franz's account. Thirteen investors testified at Defendant Lown's bail hearing.

IV.

DEFENDANTS ARE SELLING SECURITIES

28. § 4.A fo the Securities *Act* defines securities to include any "investment contract."

29. The investment opportunities offered for sale and sold by Defendants, involving the purported buying and selling of precious metals by Defendants for investor profit, constitute investment contracts and, therefore, are securities as defined by the Securities Act.

30. Under established Texas law, whether there is an investment contract is determined by reference to four factors, to-wit:

- (1) investment of money
- (2) a common enterprise

- (3) expectation of profits, and
- (4) whether the investor makes any significant efforts, and whether the efforts made by those other than the investor are undeniably significant ones, those essential managerial efforts which affect the failure or success of the enterprise.

31. "Vertical commonality," or commonality between the investor and the promoter, exists when the investor's success is dependent on the efforts and success of the promoter and is an indicator of common enterprise. Defendants represent that they receive a percentage of the profits obtained from the buying and selling of metals and that they provide the purchasers with a percentage of those profits Defendants receive. If the Defendants receive nothing, the investors receive nothing. The fortunes of Defendants and the purchasers are therefore inextricably linked, especially in light of the fact that the investors cannot profit if Defendants do not.

32. "Horizontal commonality," or commonality between the investors, exists when the success of one investor is concomitant with the success of other investors and is also an indicator of common enterprise. In this matter, Defendant Lown told one potential investor that he, Defendant Lown, could make even more money if he included additional investors, indicating that the profit was bigger if the sum of money was bigger. This indicates that Defendant Lown intended to pool investor funds. An employee, agent, or representative of Defendants told another investor that the more money Defendant Town gets, the bigger the contracts he can bid on. A review by the HCDA of seized financial records revealed that Defendants pooled several million in investor funds into one Frost Bank account.

33. There is an expectation of profits. Defendants enticed potential investors with substantial rates of return up to ten percent per month.

34. After the investment of funds, investors have no duties other than to wait on their profits or returns. Defendants told investors that Defendants buy and sell metals. Investors are not required to participate in the buying and selling of metals. The efforts made by Defendants are undeniably significant ones, those essential managerial efforts which affect the failure or success of the enterprise. The success of the metals trading program depends on Defendants efforts in the buying and selling of metals, which is how the profit is allegedly generated. Defendants' efforts directly affect the failure or success of the enterprise,

35. All four factors have been met in the instant case, and the investment opportunities in the metal trading program offered for sale and sold to people were investment contracts; thus, Defendants are selling securities.

V.

CONCLUSION

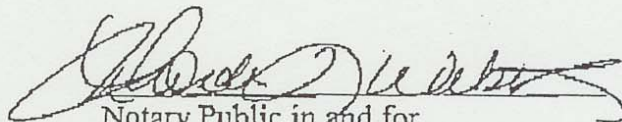
36. It is part of my job to evaluate the credibility of individuals from whom I obtained statements in connection with this matter. I found the statements of those with whom I spoke to be highly credible.

37. In my opinion, One West Financial Services securities operation poses an immediate threat to the public, because One West Financial Services makes a pitch, including the promise of substantial rates of return, that entices people to invest large sums of money with One West Financial Services. The investors believe that they are investing in a precious metals trading program, when in fact, One West Financial Services is using investor funds to perpetrate a "Ponzi" scheme. Unless One West Financial Services, Lown and Franz are restrained from continuing solicitations, people will continue to send money, believing that they are investing in a precious metals trading program.

The business practices of One West Financial Services, including the misrepresentations and failures to disclose material information, have all of the hallmarks of fraud and do not suggest any kind of legitimate business to me. In my opinion, their continued operation, in violation of the Securities Act, constitutes an immediate threat to potential investors in Texas and other states.

K. L. B. - R. U.
KAREN L. BRISCO-RICHARDS
Attorney

SUBSCRIBED AND SWORN to before me, this 3rd day of April, 2003.


Notary Public in and for
The State of Texas

