

## Dallas Jury Hits Broker For \$5.45M In Investment Fraud Suit

By Jess Davis

*Law360, Dallas (November 13, 2015, 6:52 PM ET)* -- A Dallas jury has found a securities brokerage owned by a subsidiary of PlainsCapital owes \$5.45 million to two investors who alleged a broker at the firm helped one of its clients execute a \$70 million investment fraud, finding it liable for fraud and violations of state securities laws.

In an 11-1 verdict that followed a three-week trial, a Dallas County District Court jury on Wednesday found Southwest Securities Inc. and broker Leighton Stallones liable for fraud, statutory fraud, conspiracy and violation of securities laws dating back to a 2007 real estate investment scheme allegedly run by a Southwest client. Southwest was acquired in January by PlainsCapital Corp. subsidiary Hilltop Holdings Inc.

After about three hours of deliberations, the jury said investors Gerritsen Beach Investments Ltd. and SSST Riviera Investments Ltd. are entitled to recoup \$2.9 million and \$2.55 million. The investors alleged Stallones helped developer Stephen Jemal cover up a large real estate investment fraud by lying about the state of his brokerage accounts — Jemal allegedly doctored account records to make it appear he had millions when in some accounts he had less than \$1,000.

“After five years of hard-fought litigation, our clients are pleased to finally receive justice,” Joel Reese of Reese Gordon Marketos LLP, who represented the investors, said on Friday. “Considering all the witness testimony and the incriminating documents, Southwest should have expected this result.”

The jury found Jemal committed fraud against the investors, that Stallones was part of a conspiracy that proximately caused damage to the investors, that both Jemal and Stallones committed statutory fraud against the investors, that Jemal committed “a securities law violation” — offering a security by means of an untrue statement or omission of a material fact — and that Stallones materially aided Jemal in that violation.

The jury said neither investor was negligent in the 2007 transaction.

The investors claimed they loaned Jemal money for developments based on his representation he had millions in his brokerage accounts that would be collateral for loans, and that Stallones helped him by repeating lies about the value of the accounts. The investors allege Jemal’s accounts were worth almost nothing and that he had doctored his account records to make it look like he owned stock in blue-chip companies like Google and Halliburton instead of the penny stock Applied Nanotech Inc.

Reese said key testimony from three witnesses — a lawyer, a banker and a loan broker — who each testified they talked to Southwest and were given inaccurate information about the value of Jemal's accounts, helped win over the jury.

Reese said because the investors won a finding of statutory fraud, they plan to seek attorneys' fees totaling about \$2 million. He said he expects Southwest and Stallones to appeal.

Attorneys for the broker did not immediately respond to requests for comment Friday.

The investors are represented by Joel Reese and Adam Sanderson of Reese Gordon Marketos LLP.

Southwest and Stallones are represented by Will Montgomery and William Ellerman of Jackson Walker LLP.

The case is Gerritsen Beach Investments Ltd. et al. v. Southwest Securities Inc. et al., case number DC-10-10673, in the District Court of Dallas County, Texas.

--Editing by Aaron Pelc.

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