



TEXANS FOR PUBLIC JUSTICE

Tracking the influence of money and corporate power in Texas politics

September 4, 2015

Ken Paxton's Felony Indictments

Background & Timeline

Texans elected the Tea Party-endorsed candidate Kenneth Paxton as attorney general in November 2014. Despite media coverage of his alleged securities law violations, Paxton won both the primary and general elections. During the primary race, Paxton signed a [disciplinary order](#) with the State Securities Board, admitting that he failed to properly register as an investment advisor representative, as legally required. Paxton paid a \$1,000 civil fine, acknowledging that as a state legislator from 2004 to 2012, he repeatedly referred clients from his legal practice to Mowery Capital without disclosing that he would pocket 30 percent of the hefty asset management fees.

Noting that Paxton's civil settlement admitted to a third-degree felony, Texans for Public Justice (TPJ) filed a formal Paxton [complaint](#) with the Travis County District Attorney's office on July 18, 2014. Concluding that Paxton's alleged crimes occurred elsewhere, the Travis County DA referred the case to her counterparts in Dallas and Collin counties on January 29, 2015. TPJ forwarded the criminal complaint to both offices on April 6th. TPJ also sought a [recusal](#) from Collin County DA Greg Willis, Paxton's friend and business partner. Dallas County DA Susan Hawk found no evidence of a crime in her jurisdiction. Meanwhile, Willis came under [media pressure](#) to act on the complaint and ultimately recused himself from the proceedings, referring the case to the [Texas Rangers](#) in April. State District Judge Scott Becker [appointed](#) Houston criminal defense attorneys Brian Wice and Kent Schaffer as special prosecutors on April 22nd. Those prosecutors presented their findings to a Collin County grand jury on July 28th; the grand jurors voted to [indict](#) Paxton on three counts of securities fraud. The indictments were made public on August 3rd and Paxton was arrested and [booked](#) for two first-degree felonies and one third-degree felony. He was released on a \$35,000 bond.

The findings of the two special prosecutors and the Texas Rangers indicate that Paxton may have committed more serious crimes than those addressed in the civil settlement. According to the [indictment](#), Paxton improperly persuaded two clients to purchase more than \$100,000 of stock in Servery Inc., a data-server company recently [investigated](#) by the Securities and Exchange Commission. The indictments allege that Paxton falsely suggested that he had invested in Servery and failed to disclose that Servery paid him to promote its stock. These serious securities-fraud charges belie Paxton's claims that he is a victim of a political witch hunt.

Timeline

- 2009 – Investors David and Teri Goettsche [sue](#) Frederick “Fritz” Mowery and Kenneth Paxton, alleging that Paxton failed to disclose his business relationship with Mowery Capital. The matter was settled out of court.
- Early 2012 – Paxton appointed to represent two minors in the probate case of their dead father. Paxton’s proposed settlement would have entrusted Paxton to invest \$750,000 on the minors’ behalf. Legal experts criticized this rejected lowball offer, noting that the girls’ dead father had a claim to a \$2 million trust administered by his father: oil billionaire Ray Hunt.
- 4/30/14 - Paxton signs a State [Securities Board Disciplinary Order](#), admitting to felony securities violations by serving as an unregistered investment advisor representative for Mowery Capital Management in 2004, 2005, and 2012. The State Securities Commission reprimands Paxton, ordering him to pay a \$1,000 fine.
- 5/27/14 – Kenneth Paxton defeats State Representative Dan Branch in the Republican primary runoff for Attorney General.
- 7/18/14 – TPJ files a [complaint](#) with Travis County District Attorney’s office, requesting an investigation into Paxton’s securities law violations.
- 11/4/14 – Kenneth Paxton defeats Democratic candidate Sam Houston to become the 51st Attorney General of Texas.
- 1/29/15 – Travis County District Attorney’s office refers case to Collin and Dallas counties, citing a lack of jurisdiction.
- 3/27/15 – Collin County Attorney General Greg Willis tells the [Houston Chronicle](#) that his office has not acted on the Paxton complaint because it is not an investigative agency.
- 4/6/15 –TPJ files criminal complaint regarding Paxton’s securities law violations with district attorneys of Dallas and Collin counties. TPJ also calls for Collin County DA Greg Willis, Paxton’s long-time friend and business partner, to [recuse](#) himself.
- 4/8/15 – Bypassing Willis, a Collin County grand jury [requests](#) Paxton case files from the Travis County District Attorney’s office.
- 4/9/15 – TPJ publicly calls for Willis to recuse himself in a *Dallas Morning News* opinion [piece](#). Greg Willis [refers](#) Paxton case to Texas Rangers.
- 4/22/15 - State District Judge Scott J. Becker [appoints](#) Houston criminal defense attorneys Kent Schaffer and Brian Wice as special prosecutors, following Willis’ recusal.
- 5/20/15 – Judge Scott Becker signs an order to [broaden the investigation](#) to any possible securities violations by Ken Paxton.
- 7/17/15 – TPJ calls for Paxton to step down in a column published by the [Austin American-Statesman](#) and [Dallas Morning News](#).
- 7/28/15 – A Collin County grand jury votes to [indict](#) Attorney General Kenneth Paxton on three counts of felony securities violations, including two first-degree felonies and one third-degree felony.
- 8/3/15 –Paxton is [booked](#) in Collin County jail and released on a \$35,000 bond. Two state administrative judges recommend that the State Securities Board [fine](#) Fritz Mowery of Mowery Capital \$60,000 for fraudulent business practices.

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Timeline (con't)

- August 2015 – Editorials in the [Corpus Christi Caller-Times](#), [Austin American-Statesman](#), [Longview News-Journal](#) and [Dallas Morning News](#) call for Paxton's resignation.
- 8/27/15 - Paxton [pleads not guilty](#) at his arraignment and asks the judge to ban courtroom cameras. Defense attorney Joe Kendall quits the case over unspecified "issues" with Paxton.

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