

# TEXAS ETHICS COMMISSION

IN THE MATTER OF  
JAMES H. MILLS,  
RESPONDENT

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BEFORE THE  
TEXAS ETHICS COMMISSION  
SC-3160387

## ORDER and AGREED RESOLUTION

### I. Recitals

The Texas Ethics Commission (Commission) met on July 11, 2017, to consider sworn complaint SC-3160387. A quorum of the Commission was present. The Commission determined that there is credible evidence of violations of section 572.023 of the Government Code, a law administered and enforced by the Commission. To resolve and settle this complaint without further proceedings, the Commission proposed this resolution to the respondent.

### II. Allegation

The complaint alleged that the respondent did not disclose in personal financial statements (PFS) filed in 2014 and 2015 information related to five business entities in which the respondent held an interest.

### III. Facts Supported by Credible Evidence

Credible evidence available to the Commission supports the following findings of fact:

#### Disclosure of Information Related to Business Entities

1. The respondent was a director of Central Texas Regional Mobility Authority (CTRMA) at all times relevant to the complaint. The respondent filed with the Commission his 2014 PFS covering calendar year 2013 on March 25, 2014, and his 2015 PFS covering calendar year 2014 on April 21, 2015.
2. The complaint alleged that on his 2014 and 2015 PFSs, the respondent did not disclose information related to: 1) his beneficial interests in five business entities - Farmer's Financial Corporation (FFC), J.P. Management, Inc. (JPM), OLM Development, Inc. (OLM), LLL&J Management, LLC (LLL), and Jack's Pond, Ltd. (JP); 2) two business assets - a property located at 11014 Farm to Market Rd 1826, Austin, Texas 78737 (11014 FM), and 3L&J Ranch, Ltd. (3L&J); and 3) his membership on the board of directors or his executive positions with FFC, JPM, JP, LLL, and OLM, as required by section 572.023 of the

Government Code. Although not specifically alleged in the complaint, the respondent was also required to disclose his membership on the board of directors for 3L&J.

3. On March 15, 2016, the respondent filed corrected 2014 and 2015 PFSs covering calendar years 2013 and 2014 and disclosed additional financial activity on the following parts of each PFS:
  - Part 1 (Sources of Occupational Income)
  - Part 2 (Stock)
  - Part 4 (Mutual Funds)
  - Part 5 (Income from Interests, Dividends, Royalties & Rents)
  - Part 6 (Personal Notes and Lease Agreements)
  - Part 7A (Interests in Real Property) – corrected 2015 PFS only
  - Part 7B (Interests in Business Entities)
  - Part 11A (Assets of Business Associations)
  - Part 11B (Liabilities of Business Associations)
  - Part 12 (Board and Executive Positions)

Specifically, the respondent disclosed on his corrected 2014 and 2015 PFSs his beneficial interests in FFC, JPM, OLM, and LLL on Part 7B, and his membership on the board of directors and executive positions with FFC, JPM, and OLM on Part 12. The respondent did not disclose on Part 11A the property located at 11014 FM as a business asset of FFC. He disclosed "land" as a business asset of FFC, but did not specifically describe the property. The respondent also did not disclose 3L&J as a business asset of FFC. Although the respondent disclosed his membership on the board of directors for CTRMA on his original 2014 and 2015 PFSs, he did not disclose this information on his corrected 2014 and 2015 PFSs.

4. In the good-faith affidavit filed with the corrected 2014 and 2015 PFSs, the respondent stated that he inadvertently left off items in the original filings. He swore that he was filing the corrected reports not later than the 14th business day after the date he learned that the reports as originally filed were inaccurate or incomplete. Additionally, he swore that any errors or omissions in the reports as originally filed were made in good faith.

#### Beneficial Interest in Real Property and Business Entities

5. In response to written questions, the respondent swore that during calendar years 2013 and 2014, he: 1) did not have a personal interest in the property located at 11014 FM; 2) had a 100% ownership interest in FFC; 3) had a 100% ownership interest in JPM; 4) had a 100% ownership interest in OLM; and 5) had a 10% combined ownership interest with his wife in Rivercrest Properties, Ltd. (Rivercrest). He also stated that he had a 45% ownership interest in LLL.

Assets of Business Entities

6. The respondent swore that during calendar years 2013 and 2014: 1) FFC owned 100% of 11014 FM; 2) FFC owned 1% of 3L&J; and 3) Rivercrest owned 99% of 3L&J. He also stated that JPM owned 1% of JP.

Board of Directors and Executive Positions***FFC***

7. The respondent swore that during calendar years 2013 and 2014, he was a board member and president of FFC. Records with the Texas Secretary of State (SOS) show that FFC's 2015 Franchise Tax Report lists the respondent as its director. The SOS website also shows that as of 2016, the respondent has been FFC's president and director.

***JPM***

8. The respondent swore that during calendar years 2013 and 2014, he was a board member and president of JPM. SOS records show that JPM's 2013 and 2015 Franchise Tax Reports list the respondent as its director. The SOS website also shows that as of 2016, the respondent has been JPM's president and director.

***OLM***

9. The respondent swore that during calendar years 2013 and 2014, he was a board member and president of OLM. SOS records show that OLM's 2013 Franchise Tax Report lists the respondent as its director. The SOS website also shows that as of 2012, the respondent has been OLM's president and director.

***LLL***

10. The respondent swore that during calendar years 2013 and 2014, he was a non-managing member of LLL. SOS records show that LLL's 2013 Franchise Tax Report lists the respondent as its officer, director or member, and LLL's 2015 Franchise Tax Report lists the respondent as its officer, director or manager. The 2013 Franchise Tax Report does not specify whether the respondent was an officer, director or managing member. The SOS website also shows that as of 2016, the respondent has been a governing person of LLL. There is no evidence to indicate that the respondent was a member of the board of directors or held an executive position with LLL during calendar years 2013 and 2014.

***3L&J***

11. The respondent swore that during calendar years 2013 and 2014, FFC was the general partner of 3L&J. SOS records show that 3L&J's articles of incorporation list the respondent as the

director. There is no evidence to indicate that the respondent was replaced or was no longer a director for 3L&J during calendar years 2013 and 2014.

***JP***

12. The respondent swore that during calendar years 2013 and 2014, JPM was the general partner of JP. SOS records show that JP's 2016 Franchise Tax Report lists JPM as one of its officers, directors, members, general partners or managers. No documents indicate that the respondent was a member of the board of directors or held an executive position with JP during calendar years 2013 and 2014.
13. Finally, although the respondent included his membership on the board of directors of CTRMA on his original 2014 and 2015 PFSs, he did not include this information on his 2014 and 2015 corrected PFSs.

Other Financial Activity

14. The complaint specifically alleged that the respondent did not disclose information related to business entities on his PFSs. However, in response to the complaint it appears that the respondent corrected the PFSs to add additional financial activity that was not specifically alleged in the complaint. The respondent corrected his 2014 and 2015 PFSs covering calendar years 2013 and 2014 to disclose the following financial activities:
  - Part 1 (Sources of Occupational Income)
    - Added information related to one source of occupational income.
    - Deleted information from original 2014 and 2015 PFSs related to one source of occupational income.
  - Part 2 (Stock)
    - Added information related to one business entity.
  - Part 4 (Mutual Funds)
    - Added information related to one mutual fund account.
  - Part 5 (Income from Interests, Dividends, Royalties & Rents)
    - Added information related to two sources of income from interests, dividends, royalties and rents.
    - Deleted information from original 2014 and 2015 PFSs related to two sources of income from interests, dividends, royalties and rents.
  - Part 6 (Personal Notes and Lease Agreements)
    - Added information related to two personal notes or lease agreements.
  - Part 7A (Interest in Real Property)
    - Added to corrected 2015 PFS information related to one interest in real property.

- Part 7B (Interests in Business Entities)
  - Added the required information related to the four business entities at issue.
  - The respondent also added information related to two other business entities.
- Part 11A (Assets of Business Associations)
  - Added information related to four business entities.
- Part 11B (Liabilities of Business Associations)
  - Added information related to four business entities.
- Part 12 (Board and Executive Positions)
  - Added the required information related to four business entities at issue.
  - The respondent also added information related to three other business entities.

#### **IV. Findings and Conclusions of Law**

The facts described in Section III support the following findings and conclusions of law:

##### **Disclosure of Information Related to Business Entities**

1. A financial statement must include an account of the financial activity of the individual required by this subchapter to file a financial statement and an account of the financial activity of the individual's spouse and dependent children if the individual had actual control over that activity for the preceding calendar year. GOV'T CODE § 572.023(a).
2. The account of financial activity consists of identification by description of all beneficial interests in real property and business entities held or acquired, and if sold, the category of the amount of the net gain or loss realized from the sale. *Id.* § 572.023(b)(6).
3. The account of financial activity consists of identification by description and the category of the amount of all assets and liabilities of a corporation, firm, partnership, limited partnership, limited liability partnership, professional corporation, professional association, joint venture, or other business association in which 50 percent or more of the outstanding ownership was held, acquired, or sold. *Id.* § 572.023(b)(9).
4. The account of financial activity consists of a list of all boards of directors of which the individual is a member and executive positions that the individual holds in corporations, firms, partnerships, limited partnerships, limited liability partnerships, professional corporations, professional associations, joint ventures, or other business associations or proprietorships, stating the name of each corporation, firm, partnership, limited partnership, limited liability partnership, professional corporation, professional association, joint venture, or other business association or proprietorship and the position held. *Id.* § 572.023(b)(10).

5. "Business entity" means any entity recognized by law through which business for profit is conducted, including a sole proprietorship, partnership, firm, corporation, holding company, joint stock company, receivership, or trust. *Id.* § 572.002(2).

#### Beneficial Interest in Business Entities

6. The respondent was required to disclose his beneficial interest in four business entities - FFC, JPM, OLM, and LLL - on his 2014 and 2015 PFSs. During calendar years 2013 and 2014, the respondent held a beneficial interest in FFC, JPM, OLM, and LLL. The respondent held a 100% ownership interest in FFC, JPM, and OLM and held a 45% ownership interest in LLL. The respondent did not disclose his beneficial interest in these four business entities on his 2014 and 2015 PFSs as originally filed. Therefore, there is credible evidence of violations of section 572.023(b)(6) of the Government Code with respect to those four business entities.
7. The respondent was not required to disclose his beneficial interest in JP and 3L&J on his 2014 and 2015 PFSs. During calendar years 2013 and 2014, the respondent did not have a direct ownership interest in JP. The respondent held a 100% ownership interest in JPM, and JPM held a 1% ownership interest in JP. During calendar years 2013 and 2014, the respondent did not have a direct ownership interest in 3L&J. The respondent and his wife held a 10% combined ownership interest in Rivercrest, and Rivercrest held a 99% ownership interest in 3L&J. The respondent also held a 100% ownership interest in FFC and FFC held a 1% ownership interest in 3L&J. Therefore, there is credible evidence of no violation of section 572.023(b)(6) of the Government Code with respect to those two business entities.

#### Assets of Business Associations

8. The respondent was required to disclose the property located at 11014 FM as a business asset on his 2014 and 2015 PFSs. During calendar years 2013 and 2014, the respondent held a 100% ownership interest in FFC, and FFC held a 100% ownership interest in 11014 FM. The respondent did not disclose the property located at 11014 FM as a business asset on his 2014 and 2015 PFSs as originally filed.
9. The respondent was required to disclose 3L&J as a business asset on his 2014 and 2015 PFSs. During calendar years 2013 and 2014, the respondent held a 100% ownership interest in FFC, and FFC held a 1% ownership interest in 3L&J. The respondent did not disclose 3L&J as a business asset on his 2014 and 2015 PFSs as originally filed.
10. The respondent was required to disclose JP as a business asset on his 2014 and 2015 PFSs. During calendar years 2013 and 2014, the respondent held a 100% ownership interest in JPM, and JPM held a 1% ownership interest in JP. The respondent did not disclose JP as a business asset on his 2014 and 2015 PFSs as originally filed.
11. Therefore, there is credible evidence of violations of section 572.023(b)(9) of the Government Code with respect to those three business assets.

Board of Directors and Executive Positions

12. The respondent was required to disclose his membership on the board of directors and his executive positions with four business entities - FFC, JPM, OLM, and 3L&J - on his 2014 and 2015 PFSs. During calendar years 2013 and 2014, the respondent was the president and director of FFC, JPM, and OLM. SOS records show that 3L&J's articles of incorporation list the respondent as the director. There is no evidence to indicate that the respondent was replaced or was no longer a director for 3L&J during calendar years 2013 and 2014. The respondent did not disclose his membership on the board of directors and his executive positions with those four business entities on his PFSs as originally filed. Therefore, there is credible evidence of violations of section 572.023(b)(10) of the Government Code with respect to those three business entities.
13. The respondent was not required to disclose his membership on the board of directors and executive position in two business entities—LLL and JP—on his 2014 and 2015 PFSs. SOS records show that LLL's 2013 Franchise Tax Report lists the respondent as its officer, director or member, but does not specify whether the respondent was an officer, director or non-managing member. No other evidence indicates that the respondent was a member of the board of directors or held an executive position with LLL during calendar years 2013 and 2014. SOS records show that JP's 2016 Franchise Tax Report lists JPM as one of its officers, directors, members, general partners or managers. No evidence indicates that the respondent was a member of the board of directors or held an executive position with JP during calendar years 2013 and 2014. Therefore, there is credible evidence of no violation of section 572.023(b)(10) of the Government Code with respect to those two business entities.

**V. Representations and Agreement by Respondent**

By signing this order and agreed resolution and returning it to the Commission:

1. The respondent neither admits nor denies the facts described under Section III or the Commission's findings and conclusions of law described under Section IV, and consents to the entry of this order and agreed resolution solely for the purpose of resolving this sworn complaint.
2. The respondent consents to this order and agreed resolution and waives any right to further proceedings in this matter.
3. The respondent acknowledges that on a personal financial statement, the account of financial activity must include: 1) identification by description of all beneficial interests in real property and business entities held or acquired, and if sold, the category of the amount of the net gain or loss realized from the sale; 2) identification by description and the category of the amount of all assets and liabilities of a corporation, firm, partnership, limited partnership, limited liability partnership, professional corporation, professional association, joint venture, or other business association in which 50 percent or more of the outstanding ownership was held, acquired, or sold; and 3) a list of all boards of directors of which the individual is a member and executive positions that the individual holds in corporations, firms, partnerships,

limited partnerships, limited liability partnerships, professional corporations, professional associations, joint ventures, or other business associations or proprietorships, stating the name of each corporation, firm, partnership, limited partnership, limited liability partnership, professional corporation, professional association, joint venture, or other business association or proprietorship and the position held.

The respondent agrees to comply with these requirements of the law.

#### **VI. Confidentiality**

This order and agreed resolution describes violations that the Commission has determined are neither technical nor *de minimis*. Accordingly, this order and agreed resolution is not confidential under section 571.140 of the Government Code and may be disclosed by members and staff of the Commission.

#### **VII. Sanction**

After considering the nature, circumstances, and consequences of the violations described under Sections III and IV, and after considering the sanction necessary to deter future violations, the Commission imposes a \$1,000 civil penalty.

#### **VIII. Order**

The Commission hereby orders that if the respondent consents to the proposed resolution, this order and agreed resolution is a final and complete resolution of SC-3160387.

AGREED to by the respondent on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
James H. Mills, Respondent

EXECUTED ORIGINAL received by the Commission on: \_\_\_\_\_.

Texas Ethics Commission

By: \_\_\_\_\_  
Seana Willing, Executive Director