

Harbour

IN THE DISTRICT COURT OF OKLAHOMA
OKLAHOMA COUNTY, OKLA.
STATE OF OKLAHOMA

FILED IN THE DISTRICT COURT
OKLAHOMA COUNTY, OKLA.

MAR 30 2004

PATRICIA PRESLEY, COURT CLERK

BY ~~BEERY~~

Oklahoma Department of Securities)
ex rel. Irving L. Faught,)
Administrator,)

Plaintiff,)

v.)

Certified Mid-America Financial)
Group, Inc., Kriss K. Williams, Jr.,)
an individual, Patricia G. Williams,)
an individual, and Kriss K. Williams)
and Patricia G. Williams *dba*)
Kriss K. Williams Jr. Agency and)
Certified Mid-America Financial Group,)

Defendants.)

CJ - 2004 - 2650

Case No.

PETITION FOR PERMANENT INJUNCTION
AND OTHER EQUITABLE RELIEF

COMES NOW the Plaintiff, Oklahoma Department of Securities, ex rel. Irving L. Faught (Department), and for its claims against the above-named Defendants (collectively, "Defendants"), alleges and states as follows:

INTRODUCTION

1. This case involves violations of the Oklahoma Securities Act (Act), Okla. Stat. Ann. tit. 71, §§ 1-413, 501, 701-703 (West 2004). Specifically, the Department alleges that Defendants failed to register as agents, failed to register securities for offer and/or sale in and/or from the state of Oklahoma, and perpetrated fraud in connection with the offer, sale, or purchase of securities. Unless enjoined, Defendants will

continue to engage in the acts and practices set forth herein and acts and practices of similar purport and object.

JURISDICTION

2. The Administrator of the Department brings this action pursuant to Section 406.1 of the Act and is the proper party to bring this action against the Defendants.

3. Pursuant to Sections 2 and 413 of the Act, Defendants, in connection with their activities and the offer, sale, and purchase of securities in and/or from this state, are subject to the provisions of the Act. By virtue of their transaction of business and commission of other acts in this state, Defendants are subject to the jurisdiction of this Court and to service of summons within or outside of this state.

DEFENDANTS

4. Kriss K. Williams, Jr. (Kriss Williams) and Patricia G. Williams (Patricia Williams), at all times material hereto, were husband and wife and residents of the state of Oklahoma doing the acts complained of in their own names and doing business as Kriss K. Williams Jr. Agency (Williams Agency) and Certified Mid-America Financial Group (CMFG).

5. On July 28, 1993, Kriss and Patricia Williams incorporated CMFG (CMFG, Inc.). Kriss Williams served as president of CMFG, Inc. and Patricia Williams served as secretary/treasurer of CMFG, Inc. On November 18, 1994, the Oklahoma Tax Commission suspended the corporate status of CMFG, Inc.

6. At all times relevant hereto, Kriss and Patricia Williams operated an insurance agency in Muskogee, Oklahoma. Both Kriss and Patricia Williams were licensed by the Oklahoma Insurance Department to sell various insurance products.

7. According to the records of the Central Registration Depository System (CRD), on November 19, 1993, Kriss Williams became registered as an agent of IFG Networks Securities, Inc., a broker-dealer registered under the Act. Kriss Williams terminated his registration under the Act on December 31, 1994.

8. Patricia Williams has not been registered in any capacity under the Act.

NATURE OF THE CASE

9. On or about October, 1991, Oklahoma resident M. Hoffman (Hoffman), a 66 year old single person and a retired nurse, became acquainted with Kriss and Patricia Williams after attending an estate planning seminar offered by United Presidential Insurance Company (UPIC). UPIC was one of the insurance companies for which Kriss and Patricia Williams sold insurance. Shortly thereafter, Kriss Williams contacted Hoffman. Kriss Williams then met with Hoffman, provided her with a worksheet to calculate her net worth, and assisted her in filling out the worksheet.

10. During 1991, 1992, and 1993, Kriss and Patricia Williams built a close friendship with Hoffman. Upon their recommendation, Hoffman purchased several insurance policies. Additionally, Kriss Williams assisted Hoffman in setting up several trusts, including the Mildred Hoffman Loving Trust (Hoffman Trust). In the "Declaration of Trust" to the Hoffman Trust dated November 4, 1992, Hoffman identified Kriss Williams as her insurance agent and her investment adviser.

11. From 1991 until 1996, Kriss and Patricia Williams maintained frequent contact with Hoffman through correspondence, visits to her home, and accompanying her to social events.

12. In May of 1993, Kriss Williams advised Hoffman that she should cash out certain of her insurance policies to invest the proceeds directly in CMFG, Inc. Kriss Williams told Hoffman that CMFG, Inc. would offer a "much better return on her money" than she would get from her insurance policies. Kriss Williams assured Hoffman that CMFG, Inc. was a safe investment because Patricia Williams owned 51% of CMFG, Inc. and he owned the rest.

13. Hoffman cashed out three insurance policies between May 1993, and November 1993. The proceeds from the insurance policies were used to purchase stock in CMFG, Inc. as follows:

- a. On May 29, 1993, Hoffman paid \$22,278.44 for the purchase of 22,278 shares of stock in CMFG, Inc. At the time of this purchase, CMFG, Inc. had not yet been incorporated.
- b. On July 15, 1993, Hoffman paid \$40,629.76 for the purchase of 40,500 shares of stock in CMFG, Inc. At the time of this purchase, CMFG, Inc. had not yet been incorporated.
- c. On November 19, 1993, Hoffman paid \$32,421.50 for the purchase 32,466 shares of stock in CMFG, Inc.

14. After Hoffman made her investments in CMFG, Inc., Kriss Williams provided periodic written statements to Hoffman reflecting that her investments in CMFG, Inc. were increasing in value.

15. On September 15, 1993, Hoffman loaned CMFG, Inc. the sum of \$3,500. Kriss and Patricia Williams, as officers of CMFG, Inc., issued Hoffman a promissory

note promising to pay Hoffman \$3,613 on November 15, 1993. The promissory note was never repaid.

16. On June 24, 1994, Kriss and Patricia Williams, as officers of CMFG, Inc., issued Hoffman a promissory note promising to pay Hoffman the sum of \$4,500 within thirty (30) days. On October 17, 1994, Kriss Williams gave Hoffman a check in the amount of \$4,500 as payment for the promissory note issued on June 24, 1994. The check was denied for payment by the bank because of insufficient funds.

17. During 1996, Defendants stopped all communications with Hoffman. Hoffman has been unable to contact Defendants. To date, Hoffman has not received payment on the promissory notes. Further, there is no market value for the shares of stock in CMFG, Inc. that were issued to her.

18. The shares of stock in CMFG, Inc. and the promissory notes issued by CMFG, Inc. were not registered as securities under the Act and no claim of an exemption from the registration provisions of the Act was filed with the Administrator pursuant to Section 401 of the Act.

FIRST CAUSE OF ACTION

(Violation of Section 201 of the Act: Failure to Register as an Agent)

19. Plaintiff realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 18 above.

20. Defendants Kriss Williams and Patricia Williams, by virtue of their efforts and activities on behalf of CMFG and/or CMFG, Inc., in effecting or attempting to effect purchases or sales of securities, are agents, as defined in Section 2 of the Act. Defendants Kriss Williams and Patricia Williams effected purchases and/or sales of

securities without registration under the Act as issuer agents as required by Section 201 of the Act. By reason of the foregoing, Defendants Kriss Williams and Patricia Williams have violated, and unless enjoined, will continue to violate Section 201 of the Act.

21. Defendants CMFG and GMFG, Inc. are issuers as defined by Section 2 of the Act. Defendants CMFG and CMFG, Inc., by virtue of their employment of Kriss Williams and Patricia Williams, who transacted business in this state as issuer agents without benefit of registration under the Act, violated Section 201 of the Act. By reason of the foregoing, Defendants CMFG and CMFG, Inc. have violated, and unless enjoined, will continue to violate Section 201 of the Act.

SECOND CAUSE OF ACTION

(Violation of Section 301 of the Act: Offering and/or Selling Unregistered Securities)

22. Plaintiff realleges and incorporates by reference each and every allegation contained in the preceding cause of action.

23. The Defendants offered and/or sold securities in and/or from this state. Such securities were not registered under the Act. By reason of the foregoing, the Defendants have violated, and unless enjoined, will continue to violate Section 301 of the Act.

THIRD CAUSE OF ACTION

(Violation of Section 101(2) of the Act: Untrue Statements of Material Facts and Omissions of Material Facts in Connection With Offer, Sale or Purchase of Securities)

24. Plaintiff realleges and incorporates by reference each and every allegation contained in the preceding causes of action.

25. Defendants, in connection with the offer, sale, or purchase of securities, directly and indirectly, made untrue statements of material facts including, but not limited to, the following:

- a. that Hoffman was purchasing stock in CMFG, Inc. although such entity had not yet been incorporated;
- b. that Hoffman would receive a higher return from her investments in CMFG, Inc. than she would receive on her insurance policies;
- c. that CMFG was a safe company in which to invest; and
- d. that the value of Hoffman's stock in CMFG, Inc. was increasing.

26. Defendants, in connection with the offer, sale, or purchase of securities, directly and indirectly, omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, the following matters:

- a. that Kriss Williams and Patricia Williams were not qualified to transact business in this state as agents of an issuer;
- b. that the shares of stock in CMFG Inc. and the promissory notes issued by CMFG Inc. were securities that were not registered under the Act;
- c. the use of Hoffman's funds; and
- d. the risk that Hoffman could lose all of her invested funds.

27. By reason of the foregoing, Defendants, directly and indirectly, violated, and unless enjoined, will continue to violate Section 101(2) of the Act.

FOURTH CAUSE OF ACTION

**(Violation of Section 101(3) of the Act:
Engaging in any act, practice, or course of business which operates or would
operate as a fraud or deceit upon any person)**

28. The Department realleges and incorporates by reference each and every allegation contained in the preceding causes of action.

29. Defendants, in connection with the offer, sale, or purchase of securities, and through the use of the untrue statements of material facts and the omissions of material facts described in paragraphs 25 and 26 above, engaged in an act, practice, or course of business that operated as a fraud or deceit upon Hoffman.

30. By reason of the foregoing, Defendants, directly and indirectly, violated, and unless enjoined, will continue to violate Section 101(3) of the Act.

PRAYER FOR RELIEF

Defendants have engaged in acts and practices in violation of the Act and have, as a result of these activities, received a substantial amount of money from an Oklahoma investor. Unless enjoined, the Defendants will continue to engage in the acts and practices set forth herein and acts and practices of similar purport and object.

WHEREFORE, based upon the foregoing, and pursuant to the authority specifically granted by Section 406.1 of the Act, the Department prays for the Court to grant the following relief:

I.

A permanent injunction forever enjoining and restraining Defendants from offering and/or selling securities in and/or from the state of Oklahoma;

II.

An order requiring Defendants to make restitution to Hoffman;

III.

An order requiring Defendants, their officers, directors, agents, servants, employees, assigns, attorneys, and all persons, directly or indirectly, acting on their behalf, under their direction and control, and/or in active concert or participation with them, to disgorge all ill-gotten gains;

IV.

An order imposing a civil penalty against each Defendant in the amount of Fifty Thousand Dollars (\$50,000); and

V.

Such other equitable relief as the Court may deem necessary, just and proper in connection with the enforcement of the Act.

Respectfully submitted,

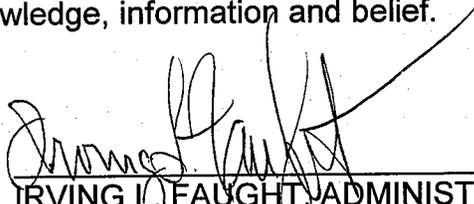
OKLAHOMA DEPARTMENT OF SECURITIES
Irving L. Faught, Administrator

By: Rebecca A. Cryer
Rebecca A. Cryer, #2065
Oklahoma Department of Securities
120 North Robinson, Suite 860
Oklahoma City, Oklahoma 73102
(405) 280-7700

STATE OF OKLAHOMA)
)
COUNTY OF OKLAHOMA) SS.

Irving Faught, of lawful age, being first duly sworn deposes and says: that he is the Administrator of the Oklahoma Department of Securities, that he has read the foregoing Petition for Permanent Injunction and Other Equitable Relief and knows the contents thereof, and that the matters and things stated therein have been provided to him by staff members of the Department under his authority and direction, and are true and correct to the best of his knowledge, information and belief.

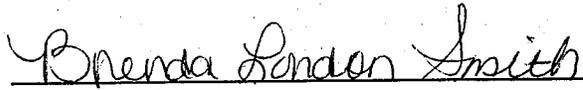
(SEAL)



IRVING L. FAUGHT, ADMINISTRATOR OF THE
OKLAHOMA DEPARTMENT OF SECURITIES
120 North Robinson, Suite 860
Oklahoma City, Oklahoma 73102
(405) 280-7700

Subscribed and sworn to before me this 29th day of March, 2004.

(NOTARIAL SEAL)



Notary Public

My Commission Expires: August 26, 2005
My Commission No.: 01013792