

IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

FILED IN THE DISTRICT COURT
OKLAHOMA COUNTY, OKLA.

JAN 18 2008

PATRICIA PRESLEY, COURT CLERK
by _____
DEPUTY

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

Plaintiff.)

v.)

Case No. CJ-

Timothy Broadous, individually and)
dba Embassy Ventures, Ltd. and)
Embassy Investments & Securities, Inc.)
Sheri Broadous, an individual and)
dba Embassy Ventures, Ltd.,)
Embassy Ventures, Ltd.)
an Oklahoma corporation,)
Embassy Investments and Securities, Inc.,)
an Oklahoma corporation,)
Roddy Howald, an individual,)
and Edward Hunt, an individual,)

Defendants.)

CJ -2008-572-nd

PETITION

COMES NOW the Oklahoma Department of Securities, *ex rel.* Irving L. Faught, (Department), and for its claims, states as follows:

1. This petition involves violations of the Oklahoma Uniform Securities Act of 2004 (Act), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2007), by Timothy Broadous, individually and doing business as Embassy Ventures, Ltd. and Embassy Investments & Securities, Inc. (Timothy Broadous); Sheri Broadous (Sheri Broadous), individually and doing business as Embassy Ventures, Ltd.; Embassy Ventures, Ltd. (Embassy Ventures); Embassy Investments and Securities, Inc. (Embassy Investments); Roddy Howald (Roddy Howald); and

Edward Hunt (Edward Hunt) (collectively, "Defendants"). Specifically, the Department alleges that Defendants offered and sold unregistered securities in violation of Section 1-301 of the Act, transacted business as a broker-dealer in violation of Section 1-401 of the Act, employed unregistered agents in violation of Section 1-402 of the Act, perpetrated fraud in connection with the offer, sale, or purchase of securities in violation of Section 1-501 of the Act, and/or materially aided in and financially benefitted from such violations of the Act.

2. The Administrator of the Department brings this action pursuant to Section 1-603 of the Act and is the proper party to bring this action against the Defendants.

3. Defendants have engaged in acts and practices in violation of the Act and are engaging in acts and practices in violation of the Act. Unless enjoined, they will continue to engage in the acts and practices set forth herein and acts and practices of similar purport and object.

DEFENDANTS

4. Timothy Broadous, an individual, is an Oklahoma resident. At all times material hereto, Timothy Broadous issued, offered and/or sold securities in and/or from Oklahoma in his own name and/or in the name of Embassy Ventures and/or Embassy Investments.

5. Sheri Broadous, an individual, is an Oklahoma resident and the wife of Timothy Broadous. At all times material hereto, Sheri Broadous was the owner and control person of Embassy Ventures and issued, offered and/or sold securities in and/or from Oklahoma in the name of Embassy Ventures and/or Embassy Investments.

6. Embassy Ventures, an Oklahoma corporation, is owned by Sheri Broadous, and has its principal place of business in Tulsa, Oklahoma. At all times material hereto, Embassy

Ventures acted under the control of Timothy Broadous and Sheri Broadous and issued, offered and/or sold securities in and/or from Oklahoma.

7. Embassy Investments, an Oklahoma corporation, has its principal place of business in Tulsa, Oklahoma. At all times material hereto, Embassy Investments acted under the control of Timothy Broadous and issued, offered, and/or sold securities in and/or from Oklahoma.

8. Roddy Howald, an individual, is an Oklahoma resident. At all times material hereto, Roddy Howald offered and sold securities in and/or from the state of Oklahoma in the name of Embassy Ventures and/or Embassy Investments.

9. Edward Hunt, an individual, is an Oklahoma resident. At all times material hereto, Edward Hunt offered and sold securities in and/or from the state of Oklahoma in the name of Embassy Ventures and/or Embassy Investments.

INVESTMENT PROGRAM

10. Beginning in or about December 2004 and continuing to the present, Defendants engaged in the issuance, offer, and/or sale of securities in and/or from Oklahoma to investors (Investors) in the nature of interests in an investment program (Investment Program) in which they represented they would invest Investor funds returning large profits to Investors.

11. Defendants Timothy Broadous, Sheri Broadous, Embassy Ventures, and Embassy Investments employed Defendants Roddy Howald and Edward Hunt to promote the Investment Program.

12. Defendants represented that the Investors' money would be used to trade on the foreign currency markets.

13. Defendants represented that Investors could expect profits at an annual rate between twenty-four percent (24%) and thirty-six percent (36%).

14. Investors had no role in the success or outcome of the investments or in achieving the promised profit in the Investment Program. Investors relied completely on the judgment and discretion of Timothy Broadous for the promised profit.

15. Between January 2005 and the present, Defendants received approximately \$1,150,000 from more than 30 Investors.

16. These Investor funds were deposited in a bank account owned by Embassy Ventures and controlled by Timothy Broadous and Sheri Broadous.

17. Timothy Broadous, Sheri Broadous, Embassy Ventures, and Embassy Investments transferred Investor funds in the amount of \$230,000 to three foreign currency trading accounts that were controlled solely by Timothy Broadous as follows:

a. On March 11, 2005, \$30,000 was transferred to a trading account in the name of Embassy Investments. Timothy Broadous conducted some trades in this account resulting in a gross trading profit of \$1,323.90. On September 28, 2005, Timothy Broadous withdrew \$31,000 from this account and directed the funds be deposited in an Embassy Investments bank account over which he had sole control.

b. On April 2, 2005, \$100,000 was transferred to a trading account in the name of Embassy Ventures. Timothy Broadous conducted some trades in this account resulting in a gross trading loss of \$82,995.30. Substantially all of these funds were lost by October 2005. In December 2006, Timothy Broadous withdrew \$3,800 from this account and deposited these funds in an Embassy Ventures bank account controlled by Timothy Broadous and Sheri Broadous.

c. On April 14, 2005, \$100,000 was transferred to a trading account in the name of EIS IRA Fund I. Timothy Broadous conducted some trades in this account resulting in a gross trading loss of \$67,191.33. Substantially all of these funds were lost by April 29, 2005. In September 2005, Timothy Broadous withdrew \$33,000 from this account and directed the funds be deposited in an EIS IRA Fund I bank account over which he had sole control.

18. Instead of investing the remaining \$920,000 of Investor funds as promised, Timothy Broadous, Sheri Broadous, Embassy Ventures, and Embassy Investments used the Investor funds to support Timothy and Sheri Broadous' lavish lifestyle and to pay their personal expenses, to make payments to Roddy Howald and Edward Hunt, and to make purported investment returns to Investors in a classic "Ponzi" scheme.

19. In connection with the Investment Program, Defendants also represented that they could accept monies for investment in Individual Retirement Accounts (IRAs) and that the IRAs would have privileged tax status pursuant to the Internal Revenue Code.

20. As a result, some Investors liquidated their IRAs and transferred the monies to Defendants.

21. Defendants, however, were not qualified or authorized to handle IRAs in accordance with the Internal Revenue Code.

22. Defendants deposited the IRA funds into an Embassy Ventures bank account thereby inappropriately commingling the IRA funds.

PROMISSORY NOTES

23. In addition to the offer and sale of interests in the Investment Program described above, Timothy Broadous sold two promissory notes to an individual who is a resident of Virginia (Investor JAC).

24. Timothy Broadous represented that Investor JAC's money would be placed in a foreign currency trading account and used to make trades in foreign currency.

25. Timothy Broadous represented that the foreign currency trading would generate returns of approximately 30-54% annually.

26. Between May 2005 and October 2005, Investor JAC gave Timothy Broadous funds totaling \$325,000.

27. These funds were deposited in a bank account owned and controlled by Timothy Broadous.

28. Instead of using Investor JAC's funds as promised, Timothy Broadous used the funds to pay personal and business expenses and to make payments of purported profits or investment returns to Investor JAC and Investors in the Investment Program.

29. In May 2006, Investor JAC placed funds totaling \$800,000 in a bank account owned jointly by Investor JAC and Timothy Broadous.

30. Timothy Broadous immediately transferred the funds to a foreign currency trading account over which he had sole control.

31. Timothy Broadous conducted no trading in the foreign currency trading account. Instead, within two months Timothy Broadous withdrew substantially all of Investor JAC's funds and transferred those funds to Timothy Broadous's personal bank accounts.

32. Timothy Broadous used Investor JAC's funds to pay his and his wife's personal expenses, and to make payments of purported profits or investment returns to Investor JAC and to Investors in the Investment Program.

FIRST CAUSE OF ACTION

(Violation of Section 1-301 of the Act: Offering and/or Selling Unregistered Securities)

33. The Department realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 32 above.

34. The interests in the Investment Program are securities as defined by Section 1-102 of the Act.

35. The promissory notes are securities as defined by Section 1-102 of the Act.

36. The securities offered and sold by the Defendants are not and have not been registered under Section 1-301 of the Act, and do not otherwise qualify for an exemption from registration pursuant to Section 1-201 or Section 1-202 of the Act.

37. By reason of the foregoing, the Defendants are violating, and unless enjoined, will continue to violate Section 1-301 of the Act.

SECOND CAUSE OF ACTION

(Violation of Sections 1-401 and 1-402 of the Act: Failure to Register as Broker-Dealers and/or Agents and Employing Unregistered Agents)

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

39. Timothy Broadous, Sheri Broadous, Embassy Ventures, and Embassy Investments are issuers as defined in Section 1-102 of the Act.

40. Timothy Broadous, Roddy Howald and Edward Hunt are not, and have not been, registered as agents pursuant to Section 1-402 of the Act.

41. Timothy Broadous and Sheri Broadous, by virtue of their efforts and activities in transacting business in this state, are broker-dealers as defined by Section 1-102 of the Act.

42. Timothy Broadous and Sheri Broadous have transacted business and are transacting business in this state as broker-dealers without benefit of registration under the Act.

43. Timothy Broadous, Roddy Howald and Edward Hunt, by virtue of their efforts and activities in transacting business in this state, are agents as defined by Section 1-102 of the Act.

44. Timothy Broadous, Roddy Howald and Edward Hunt have transacted and are transacting business in this state as agents without benefit of registration under the Act.

45. Timothy Broadous, Sheri Broadous, Embassy Ventures, and Embassy Investments employed agents who were not registered, and are not registered, to transact business in this state.

46. By reason of the foregoing, the Defendants are violating, and unless enjoined, will continue to violate Section 1-401 and/or 1-402 of the Act.

THIRD CAUSE OF ACTION

(Violation of Section 1-501 of the Act: Untrue Statements of Material Facts and Omissions of Material Facts in Connection With Offer, Sale or Purchase of Securities)

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

48. Defendants, in connection with the offer, sale, or purchase of securities, directly and indirectly, made and are making untrue statements of material fact, including, but not limited to, that the Investment Program would provide profits or returns in the nature of annual interest of twenty-four percent (24%) to thirty-six percent (36%).

49. Defendants, in connection with the offer, sale, or purchase of securities, directly and indirectly, made or are making, untrue statements of material fact, including, but not limited to, that Investors would make profits or returns up to 36% when in fact Timothy Broadous, Sheri Broadous, Embassy Ventures, and Embassy Investments have not invested the Investor funds in a manner so as to generate such investment returns.

50. Defendants, in connection with the offer, sale, or purchase of securities, directly and indirectly, made or are making, untrue statements of material fact, including, but not limited to, that Investors could safely invest their IRA funds with Defendants when in fact Defendants were not authorized by the Internal Revenue Service to handle IRAs.

51. Defendant Timothy Broadous, in connection with the offer, sale, or purchase of securities, directly and indirectly, made or is making, untrue statements of material fact, including, but not limited to, that he would use Investor JACs funds to trade in the foreign currency markets, when in fact Defendant Timothy Broadous did not invest the Investor JAC's funds in a manner so as to generate investment returns.

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

- a. that the interests in the Investment Program are securities under the Act;
- b. that the promissory notes are securities under the Act;
- c. that the securities have not been and are not registered under the Act;

- d. that Timothy Broadous, Roddy Howald and Edward Hunt were not and are not registered to offer and sell securities under the Act;
- e. information on the manner in which profits would be generated on interests in the Investment Program and promissory notes or Investors' funds would be disposed;
- f. the actual background or business experience of Timothy Broadous, Roddy Howald and Edward Hunt; and
- g. that Timothy Broadous, Sheri Broadous, Embassy Ventures, and Embassy Investments would use Investor funds for the payment of personal expenses, for payments to Roddy Howald and Edward Hunt, and for payments of purported profits or returns to Investors.

53. By reason of the foregoing, Defendants, directly and indirectly, have violated, are violating, and unless enjoined, will continue to violate Section 1-501 of the Act.

FOURTH CAUSE OF ACTION

**(Violation of Section 1-501 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)**

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

55. Timothy Broadous, Sheri Broadous, Embassy Ventures, and Embassy Investments, 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 48-52 above, have engaged and are engaging in an act, practice, or course of business that has operated and continues to operate as a fraud or deceit upon investors.

56. By reason of the foregoing, Timothy Broadous, Sheri Broadous, Embassy Ventures, and Embassy Investments, directly and indirectly, have violated, are violating, and unless enjoined, will continue to violate Section 1-501 of the Act.

FIFTH CAUSE OF ACTION

(Materially Aiding the Violation of Section 1-501 of the Act)

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

58. As set forth more fully above, Timothy Broadous, Sheri Broadous, Embassy Ventures, and Embassy Investments, in connection with the offer, sale, or purchase of securities, directly and indirectly, a) made untrue statements of material facts and 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, and b) engaged in an act, practice, or course of business that operated as a fraud or deceit, in violation of Section 1-501 of the Act.

59. Sheri Broadous, Roddy Howald and Edward Hunt knew, or in the exercise of reasonable care could have known, that there was no legitimate investment activity conducted by or through Timothy Broadous, Embassy Ventures and Embassy Investments.

60. Sheri Broadous, Roddy Howald and Edward Hunt knew, or with the exercise of reasonable care could have known, of the "Ponzi" scheme orchestrated by Timothy Broadous, Embassy Ventures and Embassy Investments through the Embassy Ventures bank account.

61. Sheri Broadous, Roddy Howald and Edward Hunt knew, or with the exercise of reasonable care could have known, that the acts, practices, and course of business of Timothy Broadous, Embassy Ventures and Embassy Investments evidenced a massive securities fraud. Sheri Broadous, Roddy Howald and Edward Hunt ignored and failed to respond to numerous suspicious circumstances that continually arose in connection with the securities activities.

62. Sheri Broadous, Roddy Howald and Edward Hunt provided substantial assistance to the securities fraud and securities law violations.

63. . . . Based on the foregoing, Sheri Broadous, Roddy Howald and Edward Hunt materially aided and/or participated in the fraudulent conduct, acts, practices, and course of business, thereby violating Section 1-501 of the Act. Accordingly, Sheri Broadous, Roddy Howald and Edward Hunt are liable, jointly and severally, with and to the same extent as Timothy Broadous, Embassy Ventures and Embassy Investments for the securities fraud.

PRAYER FOR RELIEF

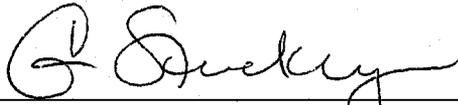
WHEREFORE, based upon the foregoing, and pursuant to the authority specifically granted by Section 1-603 of the Act, the Department prays for relief as follows:

1. A permanent injunction forever enjoining and restraining Defendants, and each of them, from the offer or sale of securities in or from this state and from directing other natural persons, corporations or other business entities acting on their behalf to offer and/or sell securities in and/or from this state;
2. An order requiring the Defendants to produce for review all books and records, both corporate and individual, as are necessary to obtain an accounting of the amount, source and disposition of funds promoted or otherwise received from the investing public and from revenues received from sales of securities by the Defendants;
3. An order requiring Defendants to make restitution to any and all Investors who purchased securities from Defendants;
4. An order requiring Defendants to disgorge any and all ill-gotten gains;
5. An order imposing a civil penalty against Timothy Broadous, Sheri Broadous, Embassy Ventures, Ltd., and Embassy Investments and Securities, Inc. in the amount of Two Hundred Fifty Thousand Dollars (\$250,000.00); and

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

Respectfully submitted,

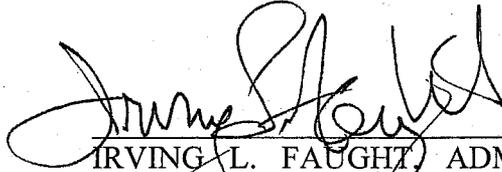
OKLAHOMA DEPARTMENT OF SECURITIES
Irving L. Faught, Administrator

By: 
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STATE OF OKLAHOMA)
)
COUNTY OF OKLAHOMA) SS.

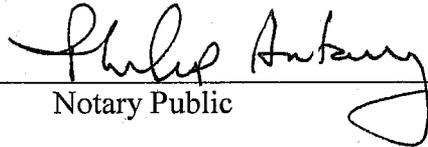
Irving L. Faught, of lawful age, being first duly sworn deposes and says: that he is the Administrator of the Oklahoma Department of Securities, that has read the foregoing Petition and knows the contents thereof, and that the matters and things stated therein have been provided to him by staff members 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
First National Center
120 North Robinson, Suite 860
Oklahoma City, Oklahoma 73102
(405) 280-7700

Subscribed and sworn to before me this 18 day of January, 2008.


Notary Public

My Commission Expires: Sept 18, 2008
My Commission No.: 14515