

IN THE DISTRICT COURT OF OKLAHOMA
STATE OF OKLAHOMA

FILED IN THE DISTRICT COURT
OKLAHOMA COUNTY, OKLA.

OCT - 1 2008

Oklahoma Department of Securities)
ex rel. Irving L. Faught, Administrator,)
)
Plaintiff,)
)
v.)
)
Franklin D. Christon,)
)
Defendant.)

PATRICIA PRESLEY, COURT CLERK
by _____
DEPUTY

Case No.

CJ -2008-8837

PETITION FOR PERMANENT INJUNCTION
AND OTHER RELIEF

Plaintiff, Oklahoma Department of Securities ("Department") *ex rel.* Irving L. Faught, for its claims against the above-named Defendant, alleges and states:

OVERVIEW

1. This enforcement action involves violations of the Oklahoma Uniform Securities Act of 2004 ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2004), by Defendant. Specifically, Defendant offered and/or sold unregistered securities in and/or from Oklahoma in violation of Section 1-301 of the Act, and Defendant employed a device, scheme, or artifice to defraud; made untrue statements of material fact 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 engaged in an act, practice, or course of business that operated or would operate as a fraud or deceit upon another person, in connection with the offer and/or sale of securities in and/or from Oklahoma, all in violation of Section 1-501 of the Act.

DEFENDANT

2. Franklin D. Christon, also known as "Frank Christon," and hereinafter referred to as "Defendant," age 52, resides at 1909 East Madison Street, in Oklahoma City, Oklahoma. At all times material hereto, Defendant has been employed full-time as a security guard. Defendant purports to also be in the business of arranging funding for the benefit of third-parties. Defendant is the purported "Regional Director of Project Funding" for Express Financial Investment Network, Inc., a foreign company with its principal place of business in Washington, D.C.

JURISDICTION AND VENUE

3. Pursuant to Section 1-610 of the Act, Defendant, in connection with his activities in the offer and/or sale of securities in and/or from this state, is subject to the provisions of the Act.

4. The Administrator of the Department ("Administrator") brings this action pursuant to Section 1-603 of the Act. The Administrator is the proper party to bring this action against Defendant.

5. By virtue of his residence and activities in this state as described herein, Defendant is subject to the jurisdiction of this Court and to service of summons within this state.

6. Venue is proper in this county.

FACTUAL ALLEGATIONS

7. Plaintiff realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 6 above.

8. Between March 1, 2008, and April 30, 2008, and most likely at times before and after such time period, Defendant engaged in a series of activities in which he offered and/or sold

securities in and/or from the state of Oklahoma in connection with one or more fraudulent investment schemes.

Leased Instruments

9. In or about March 2008, Defendant attended a pre-arranged meeting with Troy Willis ("Willis"), a resident of Missouri, at a hotel in Oklahoma City, Oklahoma ("March Meeting"). Willis attended the March Meeting on behalf of his nephew (the "Potential Investor"), a New Mexico resident.

10. During the March Meeting, Defendant offered the Potential Investor, by and through Willis, an investment opportunity involving a medium-term note and/or bond ("Financial Instrument"), a short-term private placement program, and a so-called "trading program" (collectively, the "Investment Opportunity").

11. Defendant represented, directly and/or indirectly, that the following would be the terms of the proposed Investment Opportunity:

- a. The Potential Investor would pay the sum of \$3 million to "lease" a \$100 million Financial Instrument for one year;
- b. Once the Financial Instrument was leased, Morgan Stanley would hold the Financial Instrument until Defendant arranged participation in a three (3) day trade through a European bank that would result in \$270 million in profits;
- c. Of the \$270 million in profits, Defendant and the Potential Investor would each receive \$108 million, and the remaining \$54 million would be split among Willis and other persons, unknown to Plaintiff; and
- d. Defendant would take the \$108 million return, or a portion thereof, belonging to the Potential Investor and put it into another Financial Instrument

and/or trading program that would yield fifty to seventy percent (50-70%) a week for approximately forty (40) weeks. Defendant and the Potential Investor would split those proceeds equally.

12. Defendant made no arrangements with Morgan Stanley in connection with any Financial Instrument.

13. Defendant's representations led Willis to believe that the Potential Investor's \$3 million was to be pooled with the funds of one or more other persons because it would require more than \$3 million to lease the \$100 million Financial Instrument.

14. In connection with the offer of the Investment Opportunity to the Potential Investor, Defendant provided Willis with a list of the Financial Instruments represented by Defendant to be available for lease and samples of the documents required to be completed by the Potential Investor.

Trading Program

15. On or about April 1, 2008, Defendant attended a pre-arranged meeting with Vernon Coleman ("Coleman") and Janet Chastain ("Chastain"), business partners and residents of Tulsa County, Oklahoma, at the Christian Life Missionary Church ("Church") in Oklahoma City, Oklahoma ("April 1st Meeting"). The Church's pastor, Jayel Jacobs ("Pastor Jacobs"), was also present.

16. During the April 1st Meeting, Defendant, Coleman, and Chastain discussed the possibility of Defendant being able to assist Coleman and Chastain in funding a humanitarian project in which they were currently involved.

17. On or about April 8, 2008, Defendant attended a pre-arranged meeting with Nicholas Krug ("Krug") and Charles Elliott ("Elliot"), business partners and residents of

Arkansas, at the Church (“April 8th Meeting”). Coleman, Chastain, and Pastor Jacobs were also present. Coleman and Chastain arranged the April 8th Meeting for the purpose of introducing Elliot and Krug to Defendant and discussing ways that Defendant could help Elliot and Krug fund a purported humanitarian efforts project.

18. During the April 8th Meeting, Defendant offered Elliot and Krug the opportunity to invest in a so-called private placement, high-yield trading program (“Trading Program”). Defendant represented, directly or indirectly, to Elliot and Krug that the following would be the terms of the proposed investment in the Trading Program:

- a. Elliot and Krug would pay the sum of \$100,000 to Defendant who would deposit their funds, along with the funds of one or more other investors, into an escrow account for investment in a program that buys and sells medium-term notes;
- b. The Trading Program would generate between \$1.5 million and \$2.5 million in profit for Elliot and Krug in 21 to 60 days; and
- c. After Elliot and Krug secured the profits from the Trading Program, they would have the opportunity to reinvest the proceeds into other trading programs until they obtained the \$400 million they needed to completely fund the humanitarian efforts project.

Financial Guarantee

19. In addition to the Trading Program, or as an alternative to the Trading Program, Defendant offered, during the April 8th Meeting, Elliot and Krug the opportunity to obtain a financial guarantee, backed by United States Treasuries, to be used to obtain funding on their behalf (“Financial Guarantee”).

20. Defendant represented, directly and/or indirectly, the following to Elliot and Krug:

- a. The Financial Guarantee involves a “binder” and a corresponding “policy.”
- b. Elliot and Krug could obtain the “binder” by paying one percent (1%) of the face value of the “policy.” A \$100 million “policy” required \$1 million to obtain the “binder.” Because Elliot and Krug did not have the required \$1 million, Defendant suggested that they combine their funds with the funds of one or more other persons.
- c. Once the “binder” and/or “policy” were obtained, Defendant was to use his efforts to obtain funding against the “binder” and/or “policy” for Elliot and Krug.
- d. If Defendant obtained such funding, Elliot and Krug were to receive \$2.5 million in 45 to 60 days.

Joint Venture Interests

21. On or about March 17, 2008, Defendant met with three individual residents of Colombia who traveled to Oklahoma to meet with Defendant at a hotel in Oklahoma City (“March 17th Meeting”). During the March 17th Meeting, Defendant offered Fanny Pryor, one of the individuals from Colombia, and/or a company under her control (“Pryor”), the opportunity to enter into a “Co-operative Interest Joint Venture Agreement” (“Joint Venture”). Defendant represented the purpose of the Joint Venture to be “hypothecating [Pryor’s] cash assets to secure an interest yield and provide project funding opportunities.” More specifically, the proposed purpose of the Joint Venture, as stated in the Joint Venture agreement, was:

[T]o provide and secure a leveraged transaction and place [Pryor’s] funds of USD\$TBD cash dollars (USD\$TBD) or invest such cash funds in a bank secured structured transactions [sic] involving leveraged funds and to carry on any and all such activities in such

secured structured opportunities as may be necessary to meet the terms and purpose of [the Joint Venture].

22. Under the proposed terms of the Joint Venture, Pryor was to be “solely responsible” for contributing the initial monies and the “execution of all documents necessary for the contribution and the participation in [the Joint Venture].”

23. Under the proposed terms of the Joint Venture, Defendant was to be “solely responsible” for the “identification, introduction and selection of a funder [sic] with a mutual relationship to cause and execute a structured investment opportunity for mutual benefit to the parties of this agreement.” Defendant was also to be “solely responsible” for the swift wiring of “any and all funds from the business herein that is owed and/or earned by [Pryor]. . . to a bank account designated by [Pryor] and/or placed in a settlement account of [Pryor], in the name of [Pryor] and exclusively controlled by [Pryor].”

24. Under the proposed terms of the Joint Venture, Pryor and Defendant were to share the profits that resulted from the Joint Venture.

FIRST CLAIM

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

25. Plaintiff realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 24 above.

26. The Financial Instruments offered in connection with the Investment Opportunity, as well as the Investment Opportunity itself, are securities as defined by Section 1-102 of the Act.

27. The Trading Program, Financial Guarantee, and interests in the Joint Venture (“Joint Venture Interests”) are also securities as defined by Section 1-102 of the Act.

28. The Investment Opportunity, Trading Program, Financial Guarantee, and Joint Venture Interests are not, and have not been, registered under Section 1-301 of the Act nor are they exempt from registration pursuant to Sections 1-201 through 1-203 of the Act.

29. By reason of the foregoing, Defendant has violated, and unless enjoined will continue to violate, Section 1-301 of the Act.

SECOND CLAIM

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

30. Plaintiff realleges and incorporates by reference each and every allegation contained in the preceding claim.

31. Defendant, in connection with the offer and/or sale of the Investment Opportunity, directly and/or indirectly, made untrue statements of material fact including, but not limited to, the following matters:

- a. The Potential Investor's \$3 million investment would be used to "lease" a Financial Instrument; and
- b. Morgan Stanley would hold the leased Financial Instrument until Defendant arranged participation in a three day trade through a European bank that would result in \$270 million in profits.

32. Defendant, in connection with the offer and/or sale of the Financial Instruments and Investment Opportunity, directly and/or 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. The Investment Opportunity is a security as defined by the Act;

- b. The Investment Opportunity is not registered under the Act and is not exempt from registration;
- c. Defendant is not qualified to offer and sell securities;
- d. Morgan Stanley does not knowingly “hold” or act as a custodian for “leased” bank notes and/or “leased” bank bonds;
- e. Morgan Stanley does not knowingly participate in any way in transactions involving “leased” bank notes and/or “leased” bank bonds;
- f. Bank notes and bank bonds are not typically leased in legitimate business transactions;
- g. Trading programs like the one purportedly involved in the Investment Opportunity do not exist; and
- h. The Financial Instruments and Investment Opportunity were offered in connection with a fraudulent investment scheme.

33. Defendant, in connection with the offer and/or sale of the Trading Program, directly and/or indirectly, made untrue statements of material fact including, but not limited to, the following matters:

- a. Elliot and Krug’s funds would be invested in a Trading Program; and
- b. The Trading Program would generate between \$1.5 million and \$2.5 million in profit in 21 to 60 days.

34. Defendant, in connection with the offer and/or sale of the Trading Program, directly and/or 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. High-yield trading programs with terms like the Trading Program do not exist;
- b. The purported Trading Program is a security as defined by the Act;
- c. The Trading Program is not registered under the Act and is not exempt from registration;
- d. Defendant is not qualified to offer and sell securities; and
- e. The Trading Program was offered to Elliot and Krug in connection with a fraudulent investment scheme.

35. Defendant, in connection with the offer and/or sale of the Financial Guarantee, directly and/or 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. The Financial Guarantee is a security as defined by the Act;
- b. The Financial Guarantee is not registered under the Act and is not exempt from registration;
- c. Defendant is not qualified to offer and sell securities; and
- d. The Financial Guarantee was offered to Elliot and Krug in connection with a fraudulent investment scheme.

36. Defendant, in connection with the offer and/or sale of the Joint Venture Interests, directly and/or 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. The Joint Venture Interests are securities as defined by the Act;

- b. The Joint Venture Interests are not registered under the Act and are not exempt from registration;
- c. Defendant is not qualified to offer and sell securities; and
- d. The Joint Venture Interests were being offered to Pryor in connection with a fraudulent investment scheme.

37. By reason of the foregoing, Defendant, directly and indirectly, has violated, and unless enjoined will continue to violate, Section 1-501 of the Act.

THIRD CLAIM

(Violation of Section 1-501 of the Act: Employing a Device, Scheme, or Artifice to Defraud)

38. Plaintiff realleges and incorporates by reference each and every allegation contained in the preceding claims.

39. Defendant, in connection with the offer and/or sale of the Financial Instruments, Investment Opportunity, Trading Program, Financial Guarantee, and Joint Venture Interests, directly and/or indirectly, employed, with intent to deceive, manipulate or defraud, a device, scheme, or artifice to defraud investors through the use of the untrue statements of material fact and the omissions of material fact described above in the preceding claim.

40. By reason of the foregoing, Defendant, directly and/or indirectly, violated, and unless enjoined will continue to violate, Section 1-501 of the Act.

FOURTH CLAIM

(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)

41. Plaintiff realleges and incorporates by reference each and every allegation contained in the preceding claims.

42. Defendant, in connection with the offer and/or sale of securities, and through the use of the untrue statements of material fact and the omissions of material fact described above, has engaged in an act, practice, or course of business that has operated and would operate as a fraud or deceit upon investors.

43. By reason of the foregoing, Defendant, directly and/or indirectly, violated, and unless enjoined will continue to violate, Section 1-501 of the Act.

PRAYER FOR RELIEF

Defendant has engaged in acts and practices in violation of the Act and may have received, or may receive, a substantial amount of money from investors as a result of these activities. Unless enjoined, Defendant will continue to engage in the acts and practices set forth herein and acts and practices of similar purport and object. A danger exists that any money received by Defendant from an investor, or money or securities held by Defendant on behalf of an investor, will be lost, removed or transferred. Temporary and permanent injunctions against Defendant are necessary to prevent further violations of the Act and potential loss to investors.

WHEREFORE, based upon the foregoing, and pursuant to the authority specifically granted by Section 1-603 of the Act, Plaintiff prays for the court to grant the following relief:

1. A temporary and permanent injunction enjoining Defendant, his agents, servants, employees, assigns and all those persons, directly or indirectly, acting on his behalf, under his direction and control, and/or in active concert or participation with him, who receive actual notice of the temporary and/or permanent injunction, by personal service, facsimile or otherwise, and each of them from violating the Act;

2. An order requiring Defendant to file with this Court and to serve on Plaintiff, within fifteen (15) days of a temporary injunction being entered against Defendant, an

accounting, under oath, detailing all of his assets and detailing all funds received from all persons who purchased, or invested in, a Financial Instrument, the Investment Opportunity, the Trading Program, the Financial Guarantee, and/or the Joint Venture Interest, and the disposition and/or use of those funds;

3. An order requiring Defendant to make restitution to any and all persons who purchased, or invested in, a Financial Instrument, the Investment Opportunity, the Trading Program, the Financial Guarantee, and/or the Joint Venture Interest from Defendant or who transferred money to Defendant for the purpose of purchasing, or investing in, a Financial Instrument, the Investment Opportunity, the Trading Program, the Financial Guarantee, and/or the Joint Venture Interest on their behalf;

4. An order requiring Defendant, his agents, servants, employees, assigns, and all persons, directly or indirectly, acting on his behalf, under his direction and control, and/or in active concert or participation with him, to disgorge all ill-gotten gains received in connection with the offer and/or sale of a Financial Instrument, the Investment Opportunity, the Trading Program, the Financial Guarantee, and/or the Joint Venture Interest;

5. An order imposing a civil penalty against Defendant in the amount of \$10,000;
and

6. Such other 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: *Terra Shamas Bonnell*

Terra Shamas Bonnell (OBA No. 20838)

Oklahoma Department of Securities

120 North Robinson, Suite 860

Oklahoma City, Oklahoma 73102

Telephone: (405) 280-7715

Facsimile: (405) 280-7742

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 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 30th day of September, 2008.

(NOTARIAL SEAL)



Notary Public

My Commission Expires:

My Commission No.:

 BREND A LONDON
Notary Public
State of Oklahoma
Commission # 05009046 Expires 09/28/09