

IN THE DISTRICT COURT OF OKLAHOMA COUNTY  
STATE OF OKLAHOMA

FILED IN THE DISTRICT COURT  
OKLAHOMA COUNTY, OKLA.

OCT - 1 2009

PATRICIA PRESLEY, COURT CLERK

by \_\_\_\_\_  
DEPUTY

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

Plaintiff. )

v. )

Case No. CJ-2008-572

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. )

**PLAINTIFF DEPARTMENT'S MOTION FOR SUMMARY JUDGMENT  
AGAINST DEFENDANTS TIMOTHY BROADOUS, SHERI BROADOUS,  
EMBASSY VENTURES LTD., AND EMBASSY INVESTMENTS AND  
SECURITIES, INC., AND BRIEF IN SUPPORT**

Plaintiff, Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator (Department), pursuant to Rule 13, Rules for the District Courts of Oklahoma, moves for summary judgment against Defendants Timothy Broadous, individually and doing business as Embassy Ventures, Ltd. and Embassy Investments and Securities, Inc. (Timothy Broadous); Sheri Broadous, individually and doing business as Embassy Ventures, Ltd. (Sheri Broadous); Embassy Ventures, Ltd, (Embassy Ventures); and Embassy Investments and Securities, Inc. (Embassy Investments) (collectively,

“Defendants”). Plaintiff seeks an order finding that Defendants violated the Oklahoma Uniform Securities Act of 2004 (Act), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2003), permanently enjoining Defendants from offering and selling securities and ordering Defendants to make restitution to their victims. Based on the undisputed facts, prior rulings by this Court in this matter, and the legal authority set forth herein, summary judgment should be entered against Defendants.

**STATEMENT OF MATERIAL FACTS AS TO WHICH THERE IS NO  
SUBSTANTIAL CONTROVERSY**

1. At all times material hereto, Timothy Broadous, was an Oklahoma resident who conducted business in the name of Embassy Ventures and Embassy Investments. *See* Deposition of Timothy Broadous, Exhibit A, p.3, line 13 to p. 4, line 19 and p. 23, lines 6-9.

2. At all times material hereto, Sheri Broadous was an Oklahoma resident and the wife of Timothy Broadous. Sheri Broadous was the owner and control person of Embassy Ventures. *See* Deposition of Sheri Broadous, Exhibit B, p. 3, lines 19-25, and p. 8, line 22 to p. 12, line 1.

3. At all times material hereto, Embassy Ventures, an Oklahoma corporation, had its principal place of business in Tulsa, Oklahoma. Sheri Broadous, the owner and control person of Embassy Ventures, directed Timothy Broadous to manage the day to day operations. *See* Deposition of Sheri Broadous, Exhibit B, p. 8, line 22 to p. 12, line 1 and p. 53, line 25 to p. 54, line 11.

4. At all times material hereto, Embassy Investments, an Oklahoma corporation, had its principal place of business in Tulsa, Oklahoma and was controlled by

Timothy Broadous. *See* Deposition of Timothy Broadous, Exhibit A, p. 23, lines 6-13 and p. 28, line 17 to p. 29, line 3.

5. Beginning in or about December 2004, Defendants accepted money from individuals (Investors) for which Defendants or their agents represented the money would be invested in foreign currencies and traded on the foreign currency market (Investment Program). *See* Deposition of Timothy Broadous, Exhibit A, p. 75, line 24 to p. 76, line 14. *See* Affidavit of Dan Clarke, Exhibit C, ¶¶ 5-6.

6. Defendants paid Roddy Howald and Edward Hunt to communicate with investors. *See* Deposition of Timothy Broadous, Exhibit A, p. 28, lines 5-16.

7. Defendants or their agents represented that Investors could expect profits at an annual rate between twelve percent (12%) and thirty percent (30%). *See* Investor Proof of Claims (without attachments) submitted by Sharon Allen, Clark Family Trust, Jason Cox and Zoe Shaw, Exhibit D.

8. 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. *See* Deposition of Timothy Broadous, Exhibit A, p. 146, line 21 to p. 147, line 9.

9. Between December 2004 and June 2007, Defendants received approximately \$1,200,000 from more than 30 Investors. *Admitted in Defendants' Answer.* *See* Affidavit of Dan Clarke, Exhibit C, ¶ 6.

10. Investor funds were deposited in bank accounts in the names of Embassy Ventures, Embassy Investments or Timothy or Sheri Broadous and commingled with other Investor funds and the proceeds of loans obtained by Sheri Broadous. *See*

Deposition of Timothy Broadous, Exhibit A, p. 76, lines 15-25; Affidavit of Dan Clarke, Exhibit C, ¶ 7.

11. Timothy Broadous has stated that he intended to give Investors a pro-rata distribution from any profits made on the foreign currency trading. *See* Deposition of Timothy Broadous, Exhibit A, p. 77, line 24 to p. 81, line 6.

12. Of the \$1,200,000 received from Investors in the Investment Program, Defendants transferred only \$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. *See* Affidavit of Dan Clarke, Exhibit C, ¶ 8.

b. On April 20, 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. *See* Affidavit of Dan Clarke, Exhibit C, ¶ 8.

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. *See* Affidavit of Dan Clarke, Exhibit C, ¶ 8.

13. Instead of investing the remaining \$970,000 of Investor funds as promised, Defendants used most of the money for the personal expenses of Timothy and Sheri Broadous, including the purchase of cars and the payments of mortgages on their home and rental properties. Some of the money was used to make payments to Roddy Howald and Edward Hunt, and to make payments of purported profits or investment returns to Investors in a classic “Ponzi” scheme. *See* Affidavit of Dan Clarke, Exhibit C, ¶ 9.

14. In addition to the offer and sale of interests in the Investment Program described above, Timothy Broadous offered and sold two promissory notes to Jeffrey Coles, a resident of Virginia. *See Affidavit of Jeffrey Coles* filed as an attachment to the Petition in *Jeffrey Coles v. Timothy Broadous*, United States District Court for the Northern District of Oklahoma, Case No. 07 CV 083 JHP-SAJ, Exhibit E, ¶¶ 1, 2 and 12; Deposition of Timothy Broadous, Exhibit A, p. 100, line 11 to p. 102, line 18.

15. Timothy Broadous represented that Coles’ money would be used for business operations including trading in foreign currency and investing in real estate. *See* Deposition of Timothy Broadous, Exhibit A, p. 100, line 11 to 23.

16. In October 2005, Timothy Broadous and Jeffrey Coles entered into a promissory note in the amount of \$325,000 at an interest rate of two and one-half percent (2.5%) per month. *See Response* of Timothy Broadous filed in *Jeffrey Coles v. Timothy Broadous*, United States District Court for the Northern District of Oklahoma, Case No. 07 CV 083 JHP-SAJ, Exhibit F, ¶5.

17. The \$325,000 was deposited in a bank account owned and controlled by Timothy and Sheri Broadous. *Admitted in Defendants' Answer. See Affidavit* of Dan Clarke, Exhibit C, ¶ 10.

18. Instead of using Coles's funds to trade in foreign currency or purchase investment real estate, Timothy and Sheri Broadous used the funds to pay their personal expenses and to make payments of purported profits or investment returns to Coles and Investors in the Investment Program. *See Affidavit* of Dan Clarke, Exhibit C, ¶ 11.

19. In May 2006, Timothy Broadous and Jeffrey Coles entered into a promissory note in the amount of \$800,000 at an interest rate of two and one-half percent (2.5%) per month. *See Response* of Timothy Broadous filed in *Jeffrey Coles v. Timothy Broadous*, United States District Court for the Northern District of Oklahoma, Case No. 07 CV 083 JHP-SAJ, Exhibit F, ¶7.

20. The \$800,000 was deposited in a bank account owned jointly by Jeffrey Coles and Timothy Broadous (Joint Account). *See Affidavit* of Dan Clarke, Exhibit C, ¶ 12.

21. Timothy Broadous immediately transferred the funds in the Joint Account to a foreign currency trading account over which he had sole control. *Admitted in Defendants' Answer. See Affidavit* of Dan Clarke, Exhibit C, ¶ 13.

22. Timothy Broadous conducted no trading in the foreign currency trading account. Instead, within two months of the transfer from the Joint Account, Timothy Broadous withdrew substantially all of Jeffrey Coles's funds and transferred those funds to bank accounts owned and controlled by Timothy and Sheri Broadous. *Admitted in Defendants Answer. See Affidavit of Dan Clarke, Exhibit C, ¶ 14.*

23. Instead of using Jeffrey Coles's funds to trade in foreign currency or purchase investment real estate, Timothy and Sheri Broadous used the funds to pay their personal expenses and to make payments of purported profits or investment returns to Coles and Investors in the Investment Program. *See Affidavit of Dan Clarke, Exhibit C, ¶ 15.*

24. At all times material hereto, Sheri Broadous had no income other than moneys generated from Embassy Ventures or certain rental properties. *See Deposition of Sheri Broadous, Exhibit B, p. 6, lines 17-24 and p. 8, line 19 to p. 9, line 3.*

25. In August of 2007, Timothy Broadous filed for bankruptcy protection. After the Office of the United States Trustee objected to a discharge based on bankruptcy and securities fraud and the Department objected to the discharge of any of the money lost by investors based on securities fraud, Timothy Broadous sought dismissal of his bankruptcy case. On March 12, 2009, the Bankruptcy Court denied Timothy Broadous's request to dismiss the bankruptcy case, and on April 16, 2009, Timothy Broadous consented to an order waiving the discharge of any of his debts. *See Agreed Journal Entry Approving Stipulation and Debtor's Waiver of Discharge* filed in the United States Bankruptcy Court for the Northern District of Oklahoma, Case No. 07-11582-R., Exhibit G.

26. Neither the Interests in the Investment Program nor the Promissory Notes offered and sold by the Defendants are or have been registered under Section 1'-301 of the Act. *See* Affidavit of Ken Maillard, Exhibit H, ¶ 3-5.

27. Defendants are not, and have not been, registered to transact business in this state as broker-dealers, agents, investment advisers or investment adviser representatives. *See* Affidavit of Carol Gruis, Exhibit I, ¶ 4.

28. Defendants employed and or associated with agents who are not, and have not been registered, to transact business in this state as agents. *See* Affidavit of Carol Gruis, Exhibit I, ¶ 4.

29. On July 28, 2008, this Court initiated a claims process wherein individuals who invested with Defendants were given an opportunity to submit information concerning their investments with Defendants. *See* Docket Entry filed in this case on July 28, 2008. On December 18, 2008, after Defendants received notice and an opportunity for hearing, this Court approved the following claims:

<u>Investor</u>	<u>AMOUNT OF CLAIM ALLOWED</u>
Allen, Sharon	\$269,057.49
Andrus, Nick	\$13,689.60
Carlyle Jr., Winiford (Billy)	\$30,842.65
Carlyle Sr., Winiford	\$12,000.00
Clark Family Trust (Cynthia Clark)	\$143,452.39
Coles, Jeffrey A.	\$1,149,689.40
Collins, Drinda	\$4,500.00
Cox, Jason W.	\$3,242.98
Craig, Scott Alan	\$43,490.48
Dorn, Eugene	\$66,505.68
Dorn, Kally	\$13,251.41
Janzen, Delbert	\$3,000.00
Lechner, Marilyn Jacki	\$3,760.50
Peebles, Alice W.	\$18,326.24

Shaw, Zoe	\$3,280.79
Wilson, Frank	\$6,730.33

See Docket Entry filed in this case on December 18, 2008.

**ARGUMENTS AND AUTHORITIES**

**I. THERE IS NO SUBSTANTIAL CONTROVERSY AS TO MATERIAL FACTS AND PLAINTIFF IS ENTITLED TO SUMMARY JUDGMENT AS A MATTER OF LAW**

The summary judgment procedure authorized by Rule 13 of the Rules of the District Courts of Oklahoma provides a method to dispose of cases where no genuine issue exists as to any material fact, and where only a question of law is involved. When a party demonstrates to the court that no controversy exists as to any material facts, and the moving party is entitled to judgment as a matter of law, the Court has a duty to enter summary judgment in favor of that party. Rule 13, Rules for the District Courts of Oklahoma, OKLA. STAT. ANN. TIT. 12, Ch.2, App. (Rule 13).

**II. DEFENDANTS OFFERED AND/OR SOLD SECURITIES IN VIOLATION OF SECTION 1-301 OF THE ACT**

Section 1-102(32) of the Act defines a “security” to include, among other things, a note and an investment contract. To determine that the interests in the Investment Program and the Promissory Notes offered and sold by Defendants are securities under Oklahoma law, the undisputed facts in this case must be analyzed in light of the statutory definition of the term “security” and various court decisions, including decisions of the Oklahoma Supreme Court and the United States Supreme Court. The United States Supreme Court has ruled that remedial legislation such as the securities laws should be broadly construed to effectuate its purpose. *Tcherepnin v. Knight*, 389 U.S. 332, 336, 88

S.Ct. 548, 553 (1967). Further, in analyzing an investment, “form is to be disregarded over substance and the emphasis should be on (the) economic reality” of the transaction. *United Housing Foundation, Inc. v. Forman*, 421 U.S. 837, 848, 95 S.Ct. 2051, 2058 (1975).

**A. The Interests In The Investment Program Offered And Sold By Defendants Are Investment Contracts Under The Act**

Section 1-102(32)(d) of the Act specifically “includes as an ‘investment contract’ an investment in a common enterprise with the expectation of profits to be derived primarily from the efforts of a person other than the investor[.]” This definition codifies the four-pronged test set forth by the United States Supreme Court in *SEC v. W. J. Howey Co.*, 328 U.S. 293, 66 S. Ct. 1100 (1946), and adopted by the Oklahoma Supreme Court in *State ex rel. Day v. Petco Oil and Gas, Inc.*, 558 P.2d 1163 (Okla. 1977). The four prongs of the *Howey* test, as restated in *Day* and now codified in the Act, are: (1) the investment of money (2) in a common enterprise (3) with the expectation of profits (4) through the efforts of others.

The United States Supreme Court stated that the definition of a security adopted by it in *Howey* “embodies a flexible rather than a static principle, one that is capable of adaptation to meet the countless and variable schemes devised by those who seek the use of the money of others on the promise of profits.” *Howey*, 328 U.S. at 299, 66 S.Ct. at 1103. The court in *Day, supra*, also adopted the flexible definition of investment contract in Oklahoma.

The interests in the Investment Program offered and/or sold by Defendants satisfy all prongs of the *Howey* test. First, there was an investment of money. Defendants have acknowledged that they “received approximately \$1,150,000 from more than 30

Investors.” Further, sixteen Investors filed claims in this matter stating that they had invested money in the Investment Program operated by Defendants. Defendants did not contest those claims and this Court determined that those claims were valid.

Second, the investment involved a “common enterprise.” Section 1-102(32)(d) of the Act provides that a “‘common enterprise’ means an enterprise in which the fortunes of the investor are interwoven with those of either the person offering the investment, a third party, or other investors[.]” All Investor money was combined in several bank accounts and Defendants have testified that Investors were to be given a pro rata share of any profits that were made. Therefore, the fortunes of each Investor were interwoven with the fortunes of the other Investors.

Third, the Investors expected to make a profit from their investments. They believed that they would earn interest at a rate of 10 to 30% annually. Defendants provided monthly statements to the Investors indicating that they were making significant returns on their investment.

Fourth, any profits that were to be made by an Investor would have been derived through the efforts of Defendants. Investors were entirely dependent on Defendants for any profit they would receive on their investments. Investors turned their money over to Defendants and then waited for their returns without taking or expecting to take any other action. Defendant Timothy Broadous acknowledged in his deposition that he was solely responsible for all foreign currency trading.

Clearly, the Investors made an investment of money in a common enterprise with the expectation of profits through the efforts of someone other than themselves. The

interests in the Investment Program offered and/or sold by Defendants are investment contracts, and therefore, securities under the Act.

**B. The Promissory Notes Offered And Sold By Defendants Are Securities Under the Act.**

Section 1-102(32) of the Act defines a note as a security. As a result of the broad general definition of the term “note,” a specialized test was declared by the United States Supreme Court in *Reves v. Ernst and Young*, 494 U.S. 56, 65, 110 S. Ct. 945, 951 (1990). In *Reves*, the Supreme Court held that the “family resemblance” test is to be used in deciding whether a note is a security. Under the *Reves* test, the presumption that a note or promise to pay in the future is a security may be rebutted if the instrument bears a strong resemblance to an instrument on the judicially crafted list of notes that are not securities. *Id.* U.S. at 64-65, 67, 110 S. Ct. at 951, 952; *Holloway v. Peat Marwick Mitchell & Co.*, 900 F.2d 1485, 1487 (10<sup>th</sup> Cir.), *cert. denied*, 498 U.S. 958, 111 S. Ct. 386 (1990). Types of notes that are not “securities” include:

[T]he note delivered in consumer financing, the note secured by a mortgage on a home, the short-term note secured by a lien on a small business or some of its assets, the note evidencing a ‘character’ loan to a bank customer, short-term notes secured by an assignment of accounts receivable, or a note which simply formalizes an open-account debt incurred in the ordinary course of business. . . [and] ‘notes evidencing loans by commercial banks for current operations.’

*Reves*, 494 U.S. at 65, 110 S. Ct. at 951 (citations omitted).

The Court in *Reves* stated that “[i]f the seller's purpose is to raise money for the general use of a business enterprise or to finance substantial investments and the buyer's interest is primarily in the profit the note is expected to generate, the instrument is likely

to be a security.” *Id.* U.S. at 66, 110 S. Ct. at 951-952. In the present case, Timothy Broadous has himself testified that the note between him and Jeffrey Coles was meant for general business purposes. Jeffrey Coles had no role in the business enterprise except to make a profit through Timothy Broadous’s efforts. The interest rate of 2.5% per month is well in excess of traditional interest payments offered by legitimate banking institutions. Clearly, the Promissory Notes offered and/or sold by Defendants are notes, and therefore, securities under the Act.

**C. Defendants Have Offered and Sold Securities in Violation of Section 1-301 of the Act**

The first cause of action in the Department’s Petition states that Defendants have sold unregistered securities in violation of Section 1-301 of the Act. As securities, the interests in the Investment Program and the Promissory Notes were required to be registered or exempt from registration pursuant to Section 1-301 of the Act. The securities offered by Defendants are not, and have not been, registered under the Act. Pursuant to Section 1-503 of the Act, the burden of proving an exemption from registration is on the person claiming the exemption. However, Defendants have not raised the affirmative defense of the availability of an exemption from registration for the offer and/or sale of the unregistered securities, and in fact, none of the exemptions apply to these transactions. Failure to plead an affirmative defense is a waiver of that defense. *RST Service Mfg., Inc. v. Musselwhite*, 628 P.2d 366, 368 (Okla. 1981). Accordingly, summary judgment on the first cause of action is appropriate.

**III. TIMOTHY AND SHERI BROADOUS AND THEIR AGENTS WERE NOT REGISTERED TO TRANSACT BUSINESS IN SECURITIES IN VIOLATION OF SECTIONS 1-401 AND 1-402 OF THE ACT AND DEFENDANTS EMPLOYED UNREGISTERED AGENTS**

The second cause of action in the Department's Petition states that the individual Defendants were not registered to transact business in securities in violation of Sections 1-401 and 1-402 of the Act. Pursuant to those sections, persons transacting business in securities in Oklahoma must be registered under the Act. Further, pursuant to Section 1-402(D), it is illegal for issuers to employ agents to offer and sell securities unless those agents are registered or exempt from registration under the Act. Timothy and Sheri Broadous are not, and have not been, registered under the Act. Defendants' agents, Roddy Howald and Edward Hunt, are not, and have not been registered under the Act. Pursuant to Section 1-503 of the Act, the burden of proving an exemption or exclusion from registration is on the person claiming the exemption. However, Defendants have not raised the affirmative defense of the availability of an exemption or exclusion from registration for transacting business in securities, and in fact, none apply to these transactions. Failure to plead an affirmative defense is a waiver of that defense. *RST Service Mfg., Inc. v. Musselwhite*, 628 P.2d 366, 368 (Okla. 1981). Accordingly, summary judgment on the second cause of action is appropriate.

#### **IV. DEFENDANTS FRAUDULENTLY SOLD SECURITIES IN VIOLATION OF SECTION 1-501 OF THE ACT**

The third and fourth causes of action in the Department's Petition state that Defendants made misrepresentations in connection with the offer and/or sale of securities and engaged in fraud against the Investors in violation of Section 1-501 of the Act.

Section 1-501 of the Act provides:

It is unlawful for a person, in connection with the offer, sale or purchase of a security, directly or indirectly: 1) To employ a device, scheme, or artifice to defraud; 2) To make an untrue statement of material fact or to omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it is made, not

misleading; or 3) To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

Defendants represented that Investor money would be invested in the foreign currency markets and would generate investment returns for the Investors at a rate of 10 – 30% interest. Instead, Defendants used most of the Investor money to pay their own personal expenses. The purported investment returns received by some of the Investors were also paid from Investor money, therefore, trading in foreign currency did not generate any legitimate investment returns.

Timothy Broadous represented that he would use Jeffrey Coles funds to trade in the foreign currency markets or to invest in real estate through which he would make a profit for both of them. Timothy Broadous did not invest Mr. Coles' funds in a manner so as to generate investment returns, but instead, the Timothy and Sheri Broadous used Mr. Coles' funds to pay their own personal expenses, to pay interest to Mr. Coles and to make payments of purported profits or investment returns to other Investors.

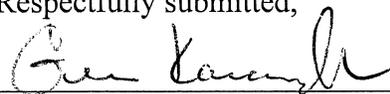
Defendants' use of Investor funds to pay personal expenses and to pay purported profits or investment returns to other Investors, along with the misrepresentations described above, constitute a course of business that operated as a fraud on the Investors. These misrepresentations made by Defendants, and the fraudulent course of business conducted by Defendants, clearly are in violation of Section 1-501 of the Act. Accordingly, summary judgment on the third and fourth causes of action is appropriate.

### **CONCLUSION**

The facts stated herein and evidentiary materials attached hereto establish that no genuine issue of material fact exists regarding the Department's causes of action for

violations of Sections 1-301, 1-401, 1-402 and 1-501 of the Act, and as such, Plaintiff is entitled to summary judgment against Defendants as a matter of law. Plaintiff therefore prays that this Court enter summary judgment against Defendants, permanently enjoining them from the offer and/or sale of securities in and from the state of Oklahoma; ordering them to make restitution to the Investors in the amounts established by this Court on December 18, 2008, with interest accruing thereon at the statutory rate from the date judgment is entered until paid in full; ordering each Defendant to pay a civil penalty in the amount of Two Hundred Fifty Thousand Dollars (\$250,000.00); and ordering any other relief the Court deems just and equitable.

Respectfully submitted,



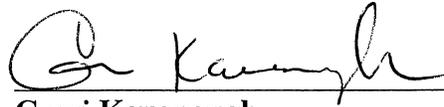
---

Gerri Kavanaugh, OBA #16732  
Amanda Cornmesser, OBA #20044  
Oklahoma Department of Securities  
120 North Robinson, Suite 860  
Oklahoma City, Oklahoma 73102  
Telephone (405) 280-7700  
Fax (405) 280-7742  
Attorneys for Plaintiff

CERTIFICATE OF MAILING

This is to certify that on the 1<sup>st</sup> day of October, 2009, the foregoing was sent by U.S. Mail, first class, postage prepaid, to:

Jerry Williams  
Balogh Cherry Mitchell & Williams  
324 S. Main, Ste. 601  
Tulsa, OK 74103-3682  
*Counsel for Defendants Timothy and Sheri Broadous,  
Embassy Ventures, Ltd, and Embassy Investments and Securities, Inc.*

  
\_\_\_\_\_  
**Gerri Kavanaugh**

IN THE UNITED STATES BANKRUPTCY COURT FOR THE  
NORTHERN DISTRICT OF OKLAHOMA

IN RE: BROADUS, TIMOTHY O., ) No. 07-11582-R  
) (Chapter 7)  
)  
Debtor. )

THE 2004 EXAMINATION OF TIMOTHY O. BROADUS,  
taken on behalf of the U.S. Trustee, pursuant to  
agreement and the following stipulations, on November  
20, 2007, at 224 South Boulder, Tulsa, Oklahoma, before  
me, Greg Eustice, Certified Shorthand Reporter in and  
for the State of Oklahoma.

A P P E A R A N C E S

For the U.S. Trustee: Mr. Paul R. Thomas  
Trial Attorney  
Office of the U.S. Trustee  
224 South Boulder  
Room 225  
Tulsa, Oklahoma 74103

The Trustee: Ms. Karen Carden Walsh  
Riggs, Abney, Neal, Turpen,  
Orbison & Lewis  
502 West 6th Street  
Tulsa, Oklahoma 74119

For the Oklahoma  
Department of Securities: Ms. Gerri Stuckey and  
Ms. Amanda Cornmesser  
Attorneys at Law  
First National Center  
Suite 860  
120 North Robinson  
Oklahoma City, Okla. 73102

(Appearances continued . . .)

EUSTICE REPORTING SERVICE

CERTIFIED SHORTHAND REPORTER  
POST OFFICE BOX 700488  
TULSA, OKLAHOMA 74170  
(918) 445-2965

(Appearances continued . . .)

For Dr. Jerry Cole: Mr. Chad J. Kutmas  
Doerner, Saunders, Daniel  
& Anderson  
320 South Boston  
Suite 500  
Tulsa, Oklahoma 74103

For Ms. Allen, the Clark  
Trust and the McLaurin  
Trust: Mr. Richard W. Badillo  
The Badillo Law Firm  
240 West 15th Street  
Tulsa, Oklahoma 74119

For Ms. Broadus: Mr. Jerry Williams  
Balogh, Cherry, Mitchell  
and Williams  
324 South Main, Suite 601  
Tulsa, Oklahoma 74103

C O N T E N T S

	PAGE
Examination by Mr. Thomas . . . . .	2
Examination by Ms. Walsh . . . . .	75
Further Examination by Mr. Thomas . . . . .	87
Examination by Mr. Kutmas . . . . .	95
Examination by Mr. Badillo . . . . .	127
Redirect Examination by Ms. Cornmesser . . . . .	139
Further Examination by Mr. Thomas . . . . .	195

S T I P U L A T I O N S

It is stipulated and agreed by and between the  
parties hereto that the 2004 Examination is taken  
pursuant to agreement and that the same is to be taken at  
this time and place.

It is further stipulated and agreed that all  
objections, except as to the form of the questions and  
privilege, are reserved with the same force and effect as  
if made at the taking of the deposition.

EUSTICE REPORTING SERVICE  
BOX 700488 TULSA, OK 74170 (918)445-2965

TIMOTHY O. BROADUS,  
being first duly sworn to testify the truth, the whole  
truth and nothing but the truth, testified as follows:

DIRECT EXAMINATION

BY MR. THOMAS:

Q Mr. Broadus, my name is Paul Thomas. I'm an  
attorney with the U.S. Department Justice, U.S.  
Trustee's Office. Are you aware of what we're here  
to do today?

A I think I have pretty good grasp.

Q What is your understanding of why we're here today?

A Asset discovery, asset hearing.

Q Can you tell me what your current address is?

A 3406 Woodmere, Sapulpa, Oklahoma 74066.

Q And how long have you lived at that address?

A I believe since the latter part of '04, '05.

Q It's my understanding that you're married; is that  
true?

A That is correct.

Q And what is your spouse's name?

A Sheri R. Broadus.

Q And I understand you have five children; is that  
correct?

A That is correct.

Q Prior to living at the Woodmere address, where did

you reside?

A East 38th Street in Tulsa.

Q And was that a property that you owned?

A No.

Q Was that a property that you rented?

A No.

Q What was the arrangement? What was your living  
arrangement at that property?

A That was a property that my mother was renting.

Q And your mother rented the property and you lived  
there?

A Yes.

Q Without paying any rent?

A That is correct.

Q Okay, no rent. And how long did you live in that  
arrangement?

A Not 100 percent sure, but I'll say somewhere around  
a year and a half. Maybe a little longer. Just not  
hundred percent sure.

Q What is your occupation?

A Currently unemployed.

Q How long have you been unemployed?

A Probably since about 2001.

Q And when you say you have been  
2001, what do you mean by tha

EXHIBIT

A

tabbles

1 consult -- look at the minutes. And possibly a  
2 president for a period of time.

3 Q What is your current status with Embassy Ventures  
4 Limited?

5 A None. No status.

6 Q And how long ago did that become your arrangement  
7 with Embassy?

8 A That would have been right after -- shortly after  
9 inception, for a period of time after inception.

10 Q So since 2005?

11 A I'm not sure.

12 Q Were you ever a signer on a bank account owned by  
13 Embassy Ventures?

14 A Yes.

15 Q On what account or accounts?

16 A Well, whichever account is located at Chase. I'm  
17 not sure of the --

18 Q One account or more than one?

19 A That I'm aware of, one.

20 Q How long has it been since you have been a signer on  
21 that Chase account?

22 A Not 100 percent sure. Probably have to look at some  
23 documents to really pinpoint.

24 Q Do you have access to those documents that you need  
25 to look at to pinpoint that information?

EUSTICE REPORTING SERVICE  
BOX 700488 TULSA, OK 74170 (918)445-2965

1 associated with Embassy Ventures, did you ever buy  
2 or spend money for personal things?

3 A Yes.

4 Q Such as what?

5 A Incidentals, gas, things of that nature.

6 Q What is your connection with Embassy Investments and  
7 Securities?

8 A That is a company that I established for the purpose  
9 of trading currencies.

10 Q And when was that established?

11 A Again, not 100 percent sure, but I want to say '05.

12 Q Is it an Oklahoma corporation?

13 A It is.

14 Q And were you an incorporator?

15 A I think so. I'm not sure a hundred percent sure. I  
16 would have to look.

17 Q Do you have records from the operation of that  
18 business?

19 A From the operation? I have some.

20 Q Do you have the corporate minutes?

21 A Yes.

22 Q Do you know if Embassy Investments and Securities is  
23 in good standing with the State of Oklahoma?

24 A I don't think so.

25 Q What's the status of Embassy Investments and

1 A I don't know. I would have to have someone request  
2 them.

3 Q Request it from what source?

4 A From the bank.

5 Q Is there any reason why you don't have access  
6 otherwise to those documents or account information?

7 A No.

8 Q Do you know what the business of Embassy Ventures  
9 Limited is?

10 A Currently none.

11 Q Historically what's the been the business of  
12 Embassy?

13 A Historically, started out doing -- trading  
14 currencies for itself. Went from that to some  
15 consulting, business plans, development, that sort  
16 of thing. Also was a community development-type  
17 consulting as well and some real estate. That's  
18 kind of the history of it.

19 Q Have you ever earned any income associated from your  
20 work with Embassy Ventures Limited?

21 A No.

22 Q Have you ever received any money from Embassy  
23 Ventures Limited personally?

24 A None that I can recall at this moment.

25 Q When you were a signer on the Chase account

EUSTICE REPORTING SERVICE  
BOX 700488 TULSA, OK 74170 (918)445-2965

1 Securities at this point?

2 A Non-operating.

3 Q Is the corporation still in existence?

4 A Yes, I guess it is.

5 Q When did it cease operating?

6 A Right prior to the -- my filing.

7 Q Did Embassy Investments and Securities have any bank  
8 accounts?

9 A Yes.

10 Q What accounts did it have?

11 A The first account I believe it had was at IBC Bank.  
12 I'm not 100 percent sure of the order, but we did  
13 have an account there during Embassy Investments and  
14 Securities. And then also at Chase.

15 Q So two accounts?

16 A Well, they weren't both active at the same time.

17 Q Over the history of Embassy Investments and  
18 Securities from its inception in 2005, assuming that  
19 date is close, is it your testimony that the company  
20 had just two accounts?

21 A That's correct. IBC Bank and Chase.

22 Q And you indicated the business was trading foreign  
23 currency?

24 A Yes.

25 Q How was that accomplished? How was the trading of

1 foreign currency accomplished?  
 2 A Well, you first have to have access to the  
 3 marketplace itself. And once you gain access to the  
 4 marketplace, it's just a matter of deciding which  
 5 currencies you're interested in trading, and then  
 6 issuing orders or requests to either buy or sell  
 7 that particular currency.  
 8 Q How specifically did it work with Embassy  
 9 Investments and Securities? What was the access to  
 10 the marketplace point for Embassy Investments and  
 11 Securities?  
 12 A Via the internet. What's the name? CMS. CMS, LLC.  
 13 Q And what is that? What is CMS, LLC?  
 14 A They provide gateway to the marketplace.  
 15 Q And what's the arrangement that Embassy Investments  
 16 and Securities had with CMS, LLC?  
 17 A I'm not quite sure what you mean by that.  
 18 Q Did the corporation have to have an account of some  
 19 sort? How is it that through CMS, LLC Embassy  
 20 Investments and Securities accessed the marketplace?  
 21 A Yes. The company had to have an account.  
 22 Q And when did Embassy Investments and Securities open  
 23 an account with CMS, LLC?  
 24 A Again, I'm not sure of the dates. It would have  
 25 been sometime in '05.

EUSTICE REPORTING SERVICE  
 BOX 700488 TULSA, OK 74170 (918)445-2965

1 A I don't have that information, but can get it.  
 2 Q How would you go about getting it?  
 3 A Probably a phone call to that organization.  
 4 Q Where are they located?  
 5 A I'm not sure.  
 6 Q And what was your point of contact with that? Was  
 7 it through the internet or was it through phone or  
 8 what was your point of contact?  
 9 A Initially through the internet.  
 10 Q Was Embassy Investments and Securities a for-profit  
 11 corporation?  
 12 A Yes.  
 13 Q And did you earn any income of any kind associated  
 14 with the activity of Embassy Investments and  
 15 Securities?  
 16 A No.  
 17 Q Why is that?  
 18 A Well, initially when we started out, it wasn't, you  
 19 know, making any money for itself. It was pretty  
 20 consistent throughout the life of it.  
 21 Q Pretty consistent that it did not make money?  
 22 A Right. For itself.  
 23 Q Why is that?  
 24 A The cost of doing business and the fact that what  
 25 was earned was actually for the folks that were part

1 Q '05?  
 2 A Uh huh.  
 3 Q And is it through CMS, LLC that the actual trading  
 4 occurs?  
 5 A Yes.  
 6 Q And is there some sort of accounting or a statement  
 7 of account that would give us information about  
 8 trades that happened with CMS, LLC?  
 9 A I'm sure they have some records, but they don't make  
 10 them available like a bank statement.  
 11 Q Do you know if the account with CMS, LLC is still  
 12 open?  
 13 A I'm not sure.  
 14 Q Were you responsible for establishing that account?  
 15 A Yes.  
 16 Q And does it cost money to establish an account?  
 17 A I'm not sure I would say it costs money, but you  
 18 have to have money to open it, yes.  
 19 Q And I have to assume from that that Embassy  
 20 Investments had money to open that account; is that  
 21 correct?  
 22 A That's correct.  
 23 Q And do you have information about that account,  
 24 including account number and any records associated  
 25 with the operation of that account?

EUSTICE REPORTING SERVICE  
 BOX 700488 TULSA, OK 74170 (918)445-2965

1 of the trading.  
 2 Q Did Embassy Investments and Securities have any  
 3 employees?  
 4 A No.  
 5 Q Any contractors that were paid regularly in  
 6 association with the operation of the business?  
 7 A Yes.  
 8 Q Who were those or what were those if they were  
 9 entities?  
 10 A Arsnova, A-r-s-n-o-v-a. And I'm trying to recall  
 11 the name of the second organization. Armory Trust.  
 12 Q Armory?  
 13 A Uh huh.  
 14 Q And were those organizations associated with Edward  
 15 Hunt and Rodney Howald?  
 16 A Yes.  
 17 Q Did Embassy Investments and Securities have any  
 18 overhead other than paying those contractors?  
 19 A It also had an office that was actually located in  
 20 an apartment then normally associated the cost for  
 21 that, power, heating, et cetera.  
 22 Q Was it an apartment that was leased by Embassy  
 23 Investments and Securities or was it leased by some  
 24 other entity?  
 25 A I believe it was leased by Embassy Investments and

1 Securities.

2 Q Do you recall where that was located?

3 A In Tulsa around the 51st and Yale area.

4 Q So the company had access to the internet -- access

5 to the marketplace I should say -- through CMS, LLC.

6 How did trades actually happen? Money went from an

7 account owned by Embassy Investments to CMS?

8 A Right. Money would go from the entity to CMS and

9 then that's how you were given then access to make

10 your trades.

11 Q And is there -- in this kind of chain of getting the

12 trade accomplished, is there a broker or a dealer

13 that is separate and apart from CMS, LLC or is CMS

14 -- (Interrupted)

15 A CMS is the only entity that I dealt with.

16 Q So if we were going to track what happened to the

17 money, we would look at IBC Bank, transfers from IBC

18 Bank to CMS, LLC or transfers from Chase, the bank

19 account owned by Embassy Investments from Chase to

20 CMS, LLC; is that correct?

21 A Yes.

22 Q Any other transactions that would indicate the

23 trading activity?

24 A No, not -- no.

25 Q About how many trades per month did Embassy

EUSTICE REPORTING SERVICE  
BOX 700488 TULSA, OK 74170 (918)445-2965

1 do you know if you had filed any tax returns

2 personally?

3 A I don't recall, but I believe -- I believe so.

4 Q In what years would you have filed returns since

5 2001?

6 A I would say for that year and prior.

7 Q So nothing since 2001, no returns since 2001?

8 A That's right. Again, I'm not a hundred percent

9 about 2001. That's just a date that's kind of in my

10 mind.

11 Q Do you know if your wife Sheri has filed any returns

12 since 2001?

13 A I don't think so.

14 Q What is the reason that you have not filed tax

15 returns since 2001?

16 A No income.

17 Q Is it your understanding that you're not obligated

18 to file tax returns for those years because of lack

19 of income?

20 A It's my understanding.

21 Q All right. Let's move on to another entity.

22 Kingdom Embassy International, what is your

23 connection with that?

24 A I formulated it, incorporated it. That's really the

25 extent of it.

1 Investments and Securities made?

2 A Wow, that's really difficult to answer. I'm not

3 sure.

4 Q A dozen a month or more?

5 A There could be as little as one a month, as many as

6 50 or more. It's really hard to say how many per

7 month. It's very difficult.

8 Q Would the account with CMS be able to give us that

9 information, you think?

10 A I would think so.

11 MR. THOMAS: We'll add that to our list of

12 information that we would like to make a formal

13 request for that.

14 A Okay.

15 Q (By Mr. Thomas) During the time that it operated,

16 did Embassy Investments and Securities ever file tax

17 return?

18 A No.

19 Q And why is that?

20 A Because it actually made very little money if any.

21 Q Is it your testimony that there was no requirement

22 to file a tax return?

23 A It's my understanding.

24 Q All right. Talking about tax returns -- and before

25 I forget, from 2001 when the GigX business closed,

EUSTICE REPORTING SERVICE  
BOX 700488 TULSA, OK 74170 (918)445-2965

1 Q Is it an Oklahoma corporation?

2 A Oklahoma. I believe it's a non-profit or not for

3 profit.

4 Q And do you know when it was formed?

5 A No.

6 Q Ballpark?

7 A I'll say maybe '06.

8 Q What was the business of Kingdom Embassy

9 International?

10 A It actually conducted no business. It was

11 originally formed to create kind of a group of

12 churches.

13 Q Did Kingdom Embassy International have ever any bank

14 accounts?

15 A No.

16 Q Did Kingdom Embassy International ever own any

17 property?

18 A No.

19 Q What's the current status of Kingdom Embassy

20 International?

21 A I think the corporation as far as the state is

22 concerned is still in existent, but it's not doing

23 anything.

24 Q To your knowledge did Kingdom Embassy International

25 ever conduct any business?

1 or has some connection with located in Bixby?  
 2 A No.  
 3 Q Let me just show you rather than trying to read  
 4 through it. Get your counsel a copy of it. Looks  
 5 like this is a check written on King's Embassy in  
 6 Tulsa, Inc. account dated 12-19-06 made payable to  
 7 Classic Realty. It's in the amount of \$2,000.  
 8 Appears to be your signature. Is that your  
 9 signature?  
 10 A That is my signature.  
 11 Q I'm not sure what that reference is, but it appears  
 12 to be a property, relating to a property. Do you  
 13 have any recollection of what that check relates to?  
 14 A The check actually says earnest money, 26th. That's  
 15 probably referencing the house on 26th Street.  
 16 Q Is there any reason why this would come out of a  
 17 King's Embassy in Tulsa, Inc. account as opposed to  
 18 your wife's account?  
 19 A None that I know of.  
 20 Q And were you responsible for this transaction?  
 21 A I obviously signed the check, but as far as the real  
 22 estate transaction itself, no.  
 23 Q Do you know the source of the funds on this check?  
 24 A No.  
 25 Q Do you know if at the time this check was written,

EUSTICE REPORTING SERVICE  
 BOX 700488 TULSA, OK 74170 (918) 445-2965

1 Q This is a deposit into an account that is styled  
 2 King's Embassy in Tulsa, Inc. for \$117,000. Is it  
 3 your testimony you don't have any recollection of  
 4 what that relates to?  
 5 A Right. I'm not sure what Buffalo Land and Title --  
 6 which transaction that may have --  
 7 Q Does the \$117,000 deposit give you reason to have  
 8 some connection with the transaction?  
 9 A No.  
 10 MR. KUTMAS: What was the date on that, Paul?  
 11 I'm sorry.  
 12 MR. THOMAS: March 16th, '06. That's all the  
 13 real estate. I've got some bank account information  
 14 that I'm not going to get to that here before we  
 15 break for lunch. Off the record.  
 16 (A short recess was held.)  
 17 EXAMINATION  
 18 BY MS. WALSH:  
 19 Q Mr. Broadus, I'm Karen Walsh, your Chapter 7  
 20 trustee. If you don't understand a question, please  
 21 ask me to rephrase it and I'll try my best to make  
 22 you understand what I'm asking, okay?  
 23 A Sure.  
 24 Q All right. I'm a little fuzzy on the way the  
 25 foreign currency trading business operated. Can you

1 December 19th, '06, your wife had signatory  
 2 authority on this account?  
 3 A I believe so.  
 4 Q Any reason why she wouldn't be the signer on the  
 5 account other than, you?  
 6 A She asked me to do so most likely and convenience or  
 7 not around or something like that.  
 8 Q Let me show you this one, too. Looks like we just  
 9 have the one on this one. This is also a check  
 10 written on King's Embassy in Tulsa, Inc. account  
 11 dated 12-29-06 for \$4,210 and change. Can you tell  
 12 me anything about that?  
 13 A No.  
 14 Q The property referenced on the bottom of that check  
 15 mean anything to you?  
 16 A I can't actually make that out.  
 17 Q Let me see if I can. Looks like Country Wood Block  
 18 One?  
 19 A Country Wood. Obviously some dealing with some  
 20 property, but I'm not sure what that is.  
 21 Q Did you ever use the services of a company called  
 22 Buffalo Land Abstract, Inc.?  
 23 A I'm not sure. Maybe if it has a property address or  
 24 something. I'm sure it's tied to some real estate  
 25 transaction, but I don't know which one.

EUSTICE REPORTING SERVICE  
 BOX 700488 TULSA, OK 74170 (918) 445-2965

1 take me generally through the process of how that  
 2 occurred? For instance, what I'm interested in is  
 3 if somebody invested some money or gave you some  
 4 money to trade, where that money went from there and  
 5 then just take me through the flow of the money  
 6 through the process. Can you do that for me?  
 7 A Sure. If someone was interested in trading  
 8 services, they would complete documents,  
 9 applications, agreements. They would then provide  
 10 their funding, the money. The money would be  
 11 deposited into an account and then either all or a  
 12 portion of that money would be then further  
 13 deposited with a trading organization much like we  
 14 discussed earlier.  
 15 Q Now, when the individual provided the funding,  
 16 generally speaking what account would their funds  
 17 initially go into?  
 18 A It would depend on whatever was on their  
 19 application. So whatever account information was on  
 20 their original agreement and application, that's  
 21 what -- that's where it would go.  
 22 Q So what were the choices of where it could go?  
 23 A One account would have been Embassy Investments and  
 24 Securities, another account would have been Embassy  
 25 Ventures.

1 Q Okay. And at Embassy Investments and Securities,  
2 did they bank at Chase?  
3 A Uh huh.  
4 Q And Embassy Investments and Securities, would that  
5 be the Chase account there as well?  
6 A Yes, uh huh.  
7 Q All right. And overall, were the majority of funds  
8 deposited in either one of those accounts?  
9 A I'm not sure. I'd have to look at, you know, stuff.  
10 Q Okay. Then from there you mentioned they were  
11 further put into a different account. Which account  
12 would that have been?  
13 A That would have been CMS.  
14 Q Help me out here. What is CMS? I don't speak that  
15 language.  
16 A CMS is a foreign currency trading company. Accounts  
17 are opened with them.  
18 Q I'm sorry. Keep going.  
19 A You open an account with them and then once the  
20 account is opened you can begin to buy and sell  
21 varying currency bearers.  
22 Q Where is CMS located?  
23 A I'm not sure. I would have to check it out.  
24 Q And would an account for each of your customers be  
25 opened at CMS?

EUSTICE REPORTING SERVICE  
BOX 700488 TULSA, OK 74170 (918)445-2965

1 A Typically they would request a withdrawal in any  
2 varying forms, meaning a check or what have you.  
3 And once the request was received and processed,  
4 then funds would be remitted to the requestor.  
5 Q Did those funds ever come from CMS?  
6 A They would typically come from a portion of funds  
7 that would remain in one of the two Chase accounts.  
8 Q Okay. Now, if an investor or customer gave you  
9 funds, let's say in all cases, were those funds  
10 eventually transferred to CMS for trading or were  
11 they ever held either in Securities or Ventures for  
12 any other purpose?  
13 A Repeat that again.  
14 Q Okay. Whenever customers or investors gave you  
15 money to trade, did those funds in all cases go to  
16 CMS for trading?  
17 A Uh huh.  
18 Q Or were they ever held in the account of Investments  
19 and/or Ventures, whichever was applicable, for some  
20 other -- (Interrupted)  
21 A Yes. No. They would not going to CMS all the time.  
22 Most often did not. Depending upon what the  
23 activity was like in the market or what was needed  
24 in terms of trading, what have you, that would  
25 determine the amount or percentage, if you will, of

1 A No.  
2 Q So was there only one account opened at CMS?  
3 A Yes.  
4 Q And what name was that account under?  
5 A Embassy Investments and Securities.  
6 Q Was there ever an account for Embassy Ventures?  
7 A Yes.  
8 Q When was the account for Embassy Investments and  
9 Securities opened?  
10 A That I don't know. I don't recall the date. But  
11 certainly within the last two years.  
12 Q Is that account now -- is it opened or is it closed?  
13 A That I'm not sure of either.  
14 Q The CMS account for Embassy Ventures, do you recall  
15 when that was account was opened?  
16 A No.  
17 Q Is that account open or closed?  
18 A Again, I'm not sure.  
19 Q All right. So then going back with the flow of the  
20 money, the money then after it was traded, would it  
21 then be transferred back to a bank account?  
22 A In some cases, but not necessarily all. Moneys that  
23 would be there would be used to continually trade.  
24 Q Now, if a customer wanted either distribution or  
25 their money back, how would that transaction happen?

EUSTICE REPORTING SERVICE  
BOX 700488 TULSA, OK 74170 (918)445-2965

1 funds that would be placed with CMS. The remainder  
2 would stay in one of the two accounts so that as  
3 people were requesting withdrawals or what have you,  
4 we would have sufficient opportunity to do that.  
5 Q Okay. When customers came on board, was there a  
6 specific rate of return that they were looking for  
7 or how did that work? How would those discussions  
8 -- (Interrupted)  
9 A I'm not really sure. Whenever the ultimate  
10 agreements were executed, there would be some  
11 terminology in those agreements that would say, in  
12 essence, what the fee structure was. The returns  
13 are essentially for the most part left up to  
14 whatever the market does.  
15 Q Going back to what you just explained to me though,  
16 if their money wasn't in CMS for whatever reason you  
17 just explained, the market activity or whatever, how  
18 is it that they would be earning anything though or  
19 losing anything; do you understand the gist of my  
20 question?  
21 A Yes and no.  
22 Q I mean, you see -- if I came to you and gave you  
23 \$5,000, go trade it for me, make what you can, but  
24 it's not in that account, it's not in the CMS  
25 account because of market conditions or money needed

1 to hold back to pay other people, I mean, am I right  
 2 in assuming I'm not making anything?  
 3 A Well, no, because Embassy Investments is actually  
 4 the customer of CMS. So any moneys that Embassy  
 5 Investments has and any returns that are created is  
 6 then distributed pro rata.  
 7 Q Okay. Did you ever use -- did Embassy Ventures or  
 8 Embassy Investments ever use any service other than  
 9 this CMS to do trading?  
 10 A Not for -- not for customers. Now Embassy Ventures  
 11 at one time had its own -- was doing its own thing,  
 12 had an account. I believe that was with -- I know  
 13 the name, I just can't recall. I can't recall the  
 14 name. But it had its own account.  
 15 Q Did you have a debit card regarding the Embassy  
 16 Ventures Chase account?  
 17 A Yes, I did.  
 18 Q Did your wife have a debit card?  
 19 A No, she did not.  
 20 Q Did you travel on behalf of Embassy Ventures?  
 21 A On occasions, yes.  
 22 Q Did your wife travel on behalf of Embassy Ventures?  
 23 A Sometimes.  
 24 Q Would it be fair to say that you traveled more than  
 25 she did on behalf of Embassy Ventures?

EUSTICE REPORTING SERVICE  
 BOX 700488 TULSA, OK 74170 (918)445-2965

1 customer.  
 2 Q How about Dillon Rogers?  
 3 A That's a customer name as well.  
 4 Q Darrel and Marilyn Cable?  
 5 A Customer names.  
 6 Q Marvin Hemmings?  
 7 A Customer.  
 8 Q Grady Jones?  
 9 A Customer.  
 10 Q Scott Broomfield?  
 11 A That name I don't know.  
 12 Q Myron Martin?  
 13 A Customer.  
 14 Q Oscar Criner?  
 15 A That was a developer.  
 16 Q And what was he developing?  
 17 A Was working on a proprietary trading algorithm.  
 18 Q What would that have been for?  
 19 A So that we could have our own stuff and not have to  
 20 pay on third parties.  
 21 Q Who is we?  
 22 A Embassy Investments and Securities. I'm sorry.  
 23 Q You say so we could have our own stuff. What kind  
 24 of stuff?  
 25 A Our own trading platforms.

1 A Uh huh.  
 2 Q What types of items did you use to purchase with  
 3 your Embassy Ventures debit card?  
 4 A Wow, I'm sure it's all listed in the bank  
 5 statements.  
 6 Q All right. Do you recall buying clothes items?  
 7 A I'm sure.  
 8 Q What would have been the purpose of buying clothes  
 9 items with Embassy Ventures' credit card?  
 10 A The purpose of buying clothing items with Embassy  
 11 Ventures' debit card. To purchase clothing.  
 12 Q All right. Were you taking flight lessons at  
 13 Riverside Airport?  
 14 A Yes.  
 15 Q What was the purpose of that?  
 16 A To fill an interest to learn to fly.  
 17 Q Did you receive a pilot's license?  
 18 A No. Not license diabetics.  
 19 Q Now, I'm going to ask you if you know a list of  
 20 people.  
 21 A Okay.  
 22 Q Do you know Cynthia Clark?  
 23 A I know the name, yes.  
 24 Q As far as you know who is she?  
 25 A As far as I know she is one of our -- or was --

EUSTICE REPORTING SERVICE  
 BOX 700488 TULSA, OK 74170 (918)445-2965

1 Q Was it a computer based -- (Interrupted)  
 2 A Yes.  
 3 Q -- function?  
 4 A Uh huh.  
 5 Q And how about Jeremy Deany?  
 6 A That sounds like a customer, but I'm not sure.  
 7 Q And I might mispronounce the name, so excuse me  
 8 here. Zelos Broadus?  
 9 A Uh huh.  
 10 Q Who is that?  
 11 A That's my brother.  
 12 Q That's your brother, all right. Now, if Embassy  
 13 Ventures -- let's just put this customers or  
 14 investors in one category. If the Chase account at  
 15 Embassy Ventures was paying investors, if I saw  
 16 payments going to them, would there be any reason  
 17 for them to be getting money out of Embassy  
 18 Ventures' account other than for them to be getting  
 19 money back on their investments or money they gave  
 20 you to invest for them?  
 21 A Well, it wasn't -- not necessarily just limited to  
 22 the terms. I mean, they may call up one day and  
 23 say, hey, you know, I just want to do something  
 24 else. Fine.  
 25 Q Wanted their money back?

1 default, yes.

2 Q Did anybody else work with you? I know that you

3 said no one was employed. But did anyone work with

4 you as far as Embassy Investments and Securities?

5 A Yes.

6 Q And could you tell me who that was?

7 A Roddy Howald, Edward Hunt and at one point a Dr.

8 Criner.

9 Q Could you spell the last name for the court

10 reporter?

11 A I believe C-r-i-n-e-r.

12 Q Did your wife help you at any time with that

13 company?

14 A No.

15 Q Have you ever been registered with the Oklahoma

16 Securities Department?

17 A No.

18 Q I know that you stated earlier that you're

19 self-taught as far as the foreign currency market;

20 is that correct?

21 A Uh huh.

22 Q Have you ever taught it to anyone?

23 A Foreign currency?

24 Q Yes.

25 A In fact, when I started out, that's really the road

EUSTICE REPORTING SERVICE  
BOX 700488 TULSA, OK 74170 (918)445-2965

1 companies?

2 A That would be me.

3 Q And did anyone else trade in either one of those

4 companies on behalf of either of those companies?

5 A I don't think so.

6 Q So you were the only one with the passwords or

7 logins, you would have been the only one with

8 access?

9 A To trade, yes.

10 Q This is just a semantics. But customers/investors

11 invested with Embassy Ventures or Embassy

12 Investments and Securities, did you actually trade

13 those customers' funds?

14 MR. WILLIAMS: Objection to form.

15 Q (By Ms. Cornmesser) You may answer.

16 A Some of them, yes.

17 Q And what is your knowledge of having -- first of

18 all, did you believe you had discretionary authority

19 to make the trades on their behalf?

20 A Well, what do you mean by discretionary authority?

21 Q I believe you have a form that I've been provided

22 and some documentation. So maybe I should ask you:

23 What is your understanding of discretionary

24 authority?

25 A That the dollars can be traded based upon what you

1 I wanted to travel, was just make people aware, kind

2 of create awareness of the opportunity.

3 Q Did you carry that out?

4 A For a short period of time, yes.

5 Q Who did you teach?

6 A Wow, maybe a group of about seven people on a couple

7 of weekends and that's as far as it got.

8 Q Where were the classes taught?

9 A They were originally held at what was the Higher

10 Dimensions building.

11 Q Did you use some sort of visual aides?

12 A I'm sure I used a demonstration platform, some

13 information that's available on the internet. That

14 would have been about the extent of it.

15 Q Would you still have those visual aides?

16 A No, but I'm sure they're still out on the -- just

17 basic web stuff.

18 Q I know there's been a lot of discussion today about

19 the fact that -- and I want to make sure that I

20 understand exactly how this worked. But with the

21 company in which you traded, Capital Market, there's

22 been an Embassy Ventures and then there was also

23 Embassy Investments and Securities, correct?

24 A Yes.

25 Q Who actually did the trading on behalf of those two

EUSTICE REPORTING SERVICE  
BOX 700488 TULSA, OK 74170 (918)445-2965

1 perceive the market conditions to be.

2 Q So essentially, someone was giving you permission to

3 trade on their behalf?

4 A Giving me permission to trade, yes.

5 Q And I guess my question is: You were the only one

6 to be able to trade the foreign currency markets on

7 their behalf, but yet you believe that you weren't

8 trading on their behalf? I'm trying to understand.

9 A Well, actually trading on behalf of Embassy

10 Investments and Securities.

11 Q Okay.

12 A And then the -- I'm sorry.

13 Q Go ahead. Please go ahead.

14 A And then, of course, whatever success is seen is

15 then shared with the other customers.

16 Q But the funds, the accounts, for there to be trades,

17 people were investing funds; would you agree with

18 me?

19 A No, I would disagree.

20 Q Explain it to me -- (Interrupted)

21 A People were loaning money to Embassy Investments and

22 Securities.

23 Q Okay.

24 A And then it was investments. In some cases chose to

25 trade then we, of course, share those returns if

1 A Only for my personal use and then ultimate --  
2 potentially educating others.  
3 Q And how long did you trade foreign currency before  
4 you began taking on investors?  
5 A Well, first of all, I didn't take on investors.  
6 Let's see. Between research, demonstration systems,  
7 then actually opening an account, say about a year,  
8 maybe a year and a half.  
9 Q That was for your personal use, sir?  
10 A Yes. And for Embassy Ventures' personal or company  
11 use.  
12 Q I'm a little confused. At this point I just to talk  
13 about your personal -- (Interrupted)  
14 A That's fine.  
15 Q -- foreign currency trading. You said for about a  
16 year it was just learning, research and then  
17 trading; is that correct, sir?  
18 A Right.  
19 Q This is in approximately 2003 to 2004; is that  
20 correct?  
21 A Uh huh.  
22 Q And how much of your own personal funds did you  
23 trade for foreign currency trading?  
24 A Personally?  
25 Q Yes.

EUSTICE REPORTING SERVICE  
BOX 700488 TULSA, OK 74170 (918)445-2965

1 A Yes.  
2 Q -- to the foreign exchange markets?  
3 A Right.  
4 Q And you don't remember the name of that?  
5 A Not just yet.  
6 Q Have you ever been arrested, sir?  
7 A Yes, I have.  
8 Q How many times have you been arrested?  
9 A That I know of, twice.  
10 Q Tell me the nature for each time you were arrested?  
11 A I'm sure it was traffic related.  
12 Q Have you ever been convicted of a crime?  
13 A No.  
14 Q Ever been convicted of a felony?  
15 A No.  
16 Q At any time did you ever seek out or become licensed  
17 to conduct foreign currency trading?  
18 A No.  
19 Q All right, sir. Specifically, do you remember when  
20 you first met Dr. Coles?  
21 A First met him? It would have been sometime in April  
22 or May of '05, I think.  
23 Q Okay. Do you remember the basis for your meeting or  
24 how it came about?  
25 A Yes. I was in town for a convention. Dr. Coles and

1 A Zero.  
2 Q None?  
3 A Uh huh.  
4 Q Okay, sir. How much money have you -- your own  
5 personal money have you ever invested in foreign  
6 currency trading?  
7 A Personal moneys, none.  
8 Q Okay, sir. So, I think it may be inaccurate to say  
9 that you had a curiosity to invest in foreign  
10 currency trading for yourself; would that be  
11 correct?  
12 A No.  
13 Q Tell me why I'm wrong.  
14 A Because the curiosity led me to do it through  
15 Embassy Ventures.  
16 Q Okay. And how much money did Embassy Ventures of  
17 its own money did it invest in foreign currency  
18 trading?  
19 A I'm not sure. I don't remember the amount that the  
20 account was initially opened with.  
21 Q And who were these accounts initially opened with,  
22 sir?  
23 A That's the name I have yet to recall.  
24 Q This was an original entity that allowed you access  
25 -- (Interrupted)

EUSTICE REPORTING SERVICE  
BOX 700488 TULSA, OK 74170 (918)445-2965

1 I had discussed maybe a few days prior to that my  
2 coming to town.  
3 Q When you say coming to town, sir, where were you at?  
4 A Washington, D.C.  
5 Q And you believe that's the first time you met Dr.  
6 Coles?  
7 A That is the first time.  
8 Q Prior to that did you ever speak with him on the  
9 telephone or through e-mail?  
10 A Yes.  
11 Q When was the first time you had any sort of contact  
12 with Dr. Coles?  
13 A That I don't recall but it would have been also  
14 sometime in '05, I believe.  
15 Q Okay. Did he call you or did you call him?  
16 A He called me.  
17 Q And what did you all talk about?  
18 A Talked about the varying things that I was involved  
19 in. He expressed an interest in the things that I  
20 was doing and wanted to know how he could get  
21 involved.  
22 Q What things were those that he referenced?  
23 A Currency trading, real estate, consulting.  
24 Q You said Dr. Coles was curious about getting  
25 involved in all of those?

1 A Everything. Just getting involved with me is the  
2 way I perceived it.

3 Q In what capacity did you believe him to want to get  
4 involved with you?

5 A In what capacity?

6 Q In a business relationship or a partnership,  
7 investor relationship -- (Interrupted)

8 A Business relationship.

9 Q I'm sorry?

10 A Business relationship.

11 Q Okay. Do you know whenever Dr. Coles first invested  
12 funds with you?

13 A I don't recall the date, but I think it's in --  
14 (Interrupted)

15 MR. WILLIAMS: Object to the form of the  
16 question.

17 Q (By Mr. Kutmas) Go ahead and answer, sir.

18 A I think it's in the record of the hearing or the  
19 suit.

20 Q Okay. I just want to show this to you. This is a  
21 wire form for Jeff Coles and it's \$125,000 and it's  
22 from his J.P. Morgan account to Timothy Broadus and  
23 there's an account number. And the date of that  
24 transaction is -- looks like April 28, '05. Would  
25 that refresh your recollection of when you first --

EUSTICE REPORTING SERVICE  
BOX 700488 TULSA, OK 74170 (918)445-2965

1 refresh his memory with that document, he said he  
2 didn't recognize the document.

3 Q (By Mr. Kutmas) Okay. So, you're disputing that you  
4 received funds on April 28th, '05?

5 A Based on what's in front of me now, yes.

6 Q Okay. This is a report from Jeffrey Coles' Morgan  
7 Stanley account. I direct your attention right  
8 here, says wire Bank One Oklahoma City to Timothy  
9 Broadus in the amount of \$200. That occurred on  
10 October 5th, 2005. Would you agree that's what that  
11 statement says, sir?

12 A That's what it says.

13 Q Did you receive \$200,000 from Dr. Coles on  
14 October 5th, 2005 in a Bank One account in Oklahoma  
15 City?

16 A Not that I can recall. Whatever our promissory note  
17 agreements were and whatever those dates were,  
18 that's when funds were transferred.

19 Q Okay. I've shown you for the record that both  
20 promissory notes were dated in '06; is that correct?

21 A Those that you showed me.

22 Q Okay, sir. Do you have a Bank One account in  
23 Oklahoma City?

24 A No.

25 Q Have you ever maintained a Bank One account in

1 he first gave you funds, invested funds?

2 A Actually, the promissory note would be better for me  
3 but --

4 Q I think the promissory note, if you're referencing  
5 the promissory note, that I'm thinking about, there's  
6 the first one. There's the second one. Those are  
7 both dated in '06; is that correct?

8 A I see they're dated in '06, but these not being my  
9 copies, I'm not sure.

10 Q Is that your signature, sir?

11 A That does appear to be my signature.

12 Q Does that appear to be your signature?

13 A That appears to be my signature.

14 Q All right, sir. Do you have any reason to dispute  
15 that you were wired money to some bank account --  
16 (Interrupted)

17 A Oh, no, because once the promissory notes were  
18 executed, then of course, moneys were wired or  
19 transferred.

20 Q Well, sir, you would agree that this is almost a  
21 year before either one of those promissory notes?

22 MR. WILLIAMS: Objection to the form.

23 MR. KUTMAS: We're talking facts here.

24 MR. WILLIAMS: He didn't identify that. He  
25 answered the question he didn't know. You tried to

EUSTICE REPORTING SERVICE  
BOX 700488 TULSA, OK 74170 (918)445-2965

1 Oklahoma City?

2 A Bank One is currently Chase.

3 Q Okay. So this is previously before it was bought  
4 out or something like that?

5 A I would assume.

6 Q So my question is, sir: Do you have an account,  
7 either Bank One or Chase in Oklahoma City?

8 A No.

9 Q Did you at one time?

10 A Yes.

11 Q Was that a personal account?

12 A It was.

13 Q And what funds went in there?

14 A That was the account that was utilized to transact  
15 business with Dr. Coles.

16 Q Was that the only time it was ever used?

17 A The only time it was ever used.

18 Q Did you ever put any other funds from any other  
19 sources into that account?

20 A Sure. Yes.

21 Q When did that account close?

22 A It's actually still open, it's just I'm not on the  
23 account.

24 Q Okay. Who's on the account?

25 A My wife.

C E R T I F I C A T E

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

STATE OF OKLAHOMA )  
                          ) SS.  
COUNTY OF TULSA   )

I, Greg Eustice, Certified Shorthand Reporter in and for the State of Oklahoma, do hereby certify that on November 20, 2007 pursuant to agreement, the above witness, Timothy O. Broadus, was by me first duly sworn to testify the truth, the whole truth, and nothing but the truth in the case aforesaid; and that the 2004 Examination by him was reduced to writing by me in stenograph, and thereafter transcribed by myself, and is fully and accurately set forth in the preceding 196 pages.

I do further certify that I am not related to nor attorney for any of the said parties, nor otherwise interested in the event of said action.

WITNESS my hand this \_\_\_\_\_ day of December, 2007.

\_\_\_\_\_  
GREG EUSTICE  
Certified Shorthand Reporter

IN THE UNITED STATES BANKRUPTCY COURT FOR THE  
NORTHERN DISTRICT OF OKLAHOMA

IN RE: BROADUS, TIMOTHY O., ) No. 07-11582-R  
) (Chapter 7)  
)  
Debtor. )

THE 2004 EXAMINATION OF SHERI RENÉ BROADUS,  
taken on behalf of the U.S. Trustee, pursuant to  
agreement and the following stipulations, on October  
24, 2007, at 224 South Boulder, Tulsa, Oklahoma, before  
me, Greg Eustice, Certified Shorthand Reporter in and  
for the State of Oklahoma.

A P P E A R A N C E S

For the U.S. Trustee: Mr. Paul R. Thomas  
Trial Attorney  
Office of the U.S. Trustee  
224 South Boulder  
Room 225  
Tulsa, Oklahoma 74103

The Trustee: Ms. Karen Carden Walsh  
Riggs, Abney, Neal, Turpen,  
Orbison & Lewis  
502 West 6th Street  
Tulsa, Oklahoma 74119

For the Oklahoma  
Department of Securities: Ms. Gerri Stuckey and  
Ms. Amanda Cornmesser  
Attorneys at Law  
First National Center  
Suite 860  
120 North Robinson  
Oklahoma City, Okla. 73102

(Appearances continued . . .)

EUSTICE REPORTING SERVICE

CERTIFIED SHORTHAND REPORTER  
POST OFFICE BOX 700488  
TULSA, OKLAHOMA 74170  
(918) 445-2965

(Appearances continued . . .)

For Dr. Jerry Cole: Mr. Chad J. Kutmas  
Doerner, Saunders, Daniel  
& Anderson  
320 South Boston  
Suite 500  
Tulsa, Oklahoma 74103

For Ms. Allen, the Clark  
Trust and the McLaurin  
Trust: Mr. Richard W. Badillo  
The Badillo Law Firm  
240 West 15th Street  
Tulsa, Oklahoma 74119

For Ms. Broadus: Mr. Jerry Williams  
Balogh, Cherry, Mitchell  
and Williams  
324 South Main, Suite 601  
Tulsa, Oklahoma 74103

C O N T E N T S

PAGE

Examination by Mr. Thomas . . . . .	3
Examination by Ms. Walsh . . . . .	32
Examination by Mr. Kutmas . . . . .	49
Examination by Mr. Badillo . . . . .	53
Redirect Examination by Ms. Stuckey . . . . .	65
Exhibit No. 1 . . . . .	45
Exhibit No. 2 . . . . .	45
Question certified to the court . . . . .	96
** MS. STUCKEY: And I just have one last thing. I would like to get Ms. Broadus's signature for the record so that we can distinguish between other accounts since there's been some question about whether -- what signatures were on here so we can make sure we're always on the same page.	

EUSTICE REPORTING SERVICE  
BOX 700488 TULSA, OK 74170 (918) 445-2965

S T I P U L A T I O N S

It is stipulated and agreed by and between the  
parties hereto that the 2004 Examination is taken  
pursuant to agreement and that the same may be taken at  
this time and place.

It is further stipulated and agreed that all  
objections, except as to the form of the questions, are  
reserved to the time of trial, with the same force and  
effect as if made at the taking of the deposition.

SHERI RENÉ BROADUS,

being first duly sworn to testify the truth, the whole  
truth and nothing but the truth, testified as follows:

DIRECT EXAMINATION

BY MR. THOMAS:

Q If you would state your full name for the record,  
please.

A My full name. Sheri René Broadus.

Q And where do you reside?

A 3406 Woodmere Lane, Sapulpa, Oklahoma 74066.

Q How long have you lived at that address?

A Three and a half, four years, I guess.

Q Prior to living at the Woodmere Lane address, where  
did you reside?

A I don't remember the address. It's in Tulsa.

Actually, I live with his mother-in-law for a time.

Q What's her name?

A Excuse me.

Q What's the mother-in-law's name?

A Gladys Broadus.

Q And does she live in Tulsa?

A No.

Q Tell me a little bit about your educational  
background, if you will.

A I attended Texas Christian University, graduated  
with a bachelor of fine arts.

Q Are you aware of why we are here today and what  
we're trying to do?

A Pretty much, uh huh.

Q What's your understanding of that?

A Excuse me.

Q What's your understanding of why we're here?

A Well, my husband has filed for bankruptcy and this  
is the whole proceeding leading up to it.

Q Do you know when your husband filed bankruptcy?

A I can't tell you, no.

Q General idea?

A Recently, I guess.

Q Do you know why he needed to  
he filed?

EXHIBIT

tabbles

B

1 A Basically because he has no money.  
 2 Q Did your husband discuss filing bankruptcy with you  
 3 prior to the actual filing of the bankruptcy case?  
 4 A No.  
 5 Q He didn't discuss it with you at all?  
 6 A No. He did his research and after he done that  
 7 he --  
 8 Q Was that prior to filing or after filing?  
 9 A I really couldn't tell you.  
 10 MR. KUTMAS: Ms. Broadus, I'm as deaf as a  
 11 post. Can you speak up just a little bit?  
 12 A Excuse me.  
 13 MR. KUTMAS: Can you speak up just a little  
 14 bit?  
 15 A Okay.  
 16 Q (By Mr. Thomas) So your testimony is that he didn't  
 17 tell you, discuss it with you, prior to filing the  
 18 bankruptcy case?  
 19 A He might have mentioned it, but as far as I fully  
 20 sitting down and discussing it, no.  
 21 Q Do you and your husband own any property jointly?  
 22 A No.  
 23 MR. WILLIAMS: When you say jointly you mean  
 24 real and personal property? I'm not sure she can  
 25 distinguish -- (Interrupted)

EUSTICE REPORTING SERVICE  
 BOX 700488 TULSA, OK 74170 (918)445-2965

1 not employed?  
 2 A Right now, credit.  
 3 Q By credit, what do you mean?  
 4 A Loans and credit card.  
 5 Q Other than loans and credit cards, what was the last  
 6 source of income that you've had?  
 7 A Real estate.  
 8 Q How did you earn money from real estate?  
 9 A Rental.  
 10 Q Pardon me?  
 11 A Rental.  
 12 Q Rental properties?  
 13 A Yeah.  
 14 Q And I assume by your answer to the previous question  
 15 you don't have that rental income anymore?  
 16 A No, I do. I'm sorry.  
 17 Q Because you said you were living on loans and credit  
 18 cards?  
 19 A I'm still having to pay the mortgage on the homes  
 20 though.  
 21 Q Right. But you have money coming from rental  
 22 properties?  
 23 A Paying my mortgage on the homes.  
 24 Q How many rental properties do you own?  
 25 A Three.

1 Q (By Mr. Thomas) I mean anything. Do you own  
 2 anything with your husband?  
 3 A No. Our children.  
 4 Q How long have you been married?  
 5 A We were married for 18 years.  
 6 Q And in that 18-year time frame you've never owned  
 7 anything together with your husband?  
 8 A No.  
 9 Q Why is that?  
 10 A That's the way we chose to do it.  
 11 Q Prior to this examination today, did you review the  
 12 testimony of your husband at his Meeting of  
 13 Creditors?  
 14 A No.  
 15 Q How are you presently employed?  
 16 A Well, I'm really not employed right now.  
 17 Q How long has it been since you have been employed?  
 18 A You mean employed by someone else?  
 19 Q Yes. For now let's talk about that.  
 20 A I have not worked since, gosh, my third was six  
 21 months old, he's 15 now. I haven't worked since he  
 22 was six months old. So that's how many years.  
 23 Q Fourteen years?  
 24 A It's been quite a few years.  
 25 Q How do you earn money or support yourself if you're

EUSTICE REPORTING SERVICE  
 BOX 700488 TULSA, OK 74170 (918)445-2965

1 Q I guess a follow up question would be how are you  
 2 servicing the debt associated with the loans and the  
 3 credit cards?  
 4 A Say that one more time.  
 5 Q How are you making the payments on the loans and  
 6 credit cards?  
 7 A With debt.  
 8 Q The rental income does not provide any --  
 9 (Interrupted)  
 10 A Doesn't completely, no. It covers it partial.  
 11 Q Let's clarify a little bit. The rental income  
 12 associated with three properties pays the mortgage  
 13 or doesn't quite pay the mortgage?  
 14 A Doesn't quite pay the mortgage.  
 15 Q Other than income associated with the operation of  
 16 the rental properties, do you have any other sources  
 17 of income whatsoever?  
 18 A Right now, no.  
 19 Q Other than the rental income, do you earn any money  
 20 whatsoever from being self-employed in any way?  
 21 A Not at this time.  
 22 Q Do you operate, own or operate, any businesses?  
 23 A I did. Right now there's nothing happening with it,  
 24 so --  
 25 Q Is there a business that you did operate?

1 A Uh huh.  
 2 Q What was the name of that business?  
 3 A Embassy Ventures.  
 4 Q And what sort of business entity is that?  
 5 A You're asking what we did?  
 6 Q No. Is it a corporation, is it an LLC, is it a  
 7 partnership?  
 8 A It's a limited, LTD.  
 9 Q Pardon me?  
 10 A LTD.  
 11 Q Was it formed under the laws of the State of  
 12 Oklahoma?  
 13 A Yes.  
 14 Q About when was it formed?  
 15 A I couldn't tell you right off.  
 16 Q Give me a ballpark if you know. Ten years ago, five  
 17 years ago?  
 18 A I'd say about five years ago. But that's guessing.  
 19 Q Okay. And is Embassy Ventures defunct or is it just  
 20 not doing any business?  
 21 A Just not doing any business right now.  
 22 Q Why is that?  
 23 A I have some ideas of -- some type of financing and I  
 24 don't have that right now. So everything is just an  
 25 idea until I can put everything together and get my

EUSTICE REPORTING SERVICE  
 BOX 700488 TULSA, OK 74170 (918)445-2965

1 Q So if we looked at the bank accounts for Embassy  
 2 Ventures we wouldn't see any checks going to your  
 3 husband?  
 4 A Probably not. I can't recall off the top of my  
 5 head.  
 6 Q From the time Embassy Ventures was formed until it  
 7 stopped operating, what would you guess in terms of  
 8 how many hours per week your husband worked in the  
 9 business?  
 10 A That really depended upon what I had going on or  
 11 what clients that he had to meet with. Other than  
 12 that, it wasn't that many. It really depended.  
 13 Q What sort of clients in the business consulting part  
 14 of the business did you all have?  
 15 A I couldn't name them off the top of my head, but  
 16 they were mostly small business owners, people just  
 17 beginning.  
 18 Q And what was the nature of the consulting?  
 19 A Some of it helping with business plans. He would  
 20 have to answer that.  
 21 Q Who was responsible for the finances of the company?  
 22 And by company, I mean -- (Interrupted)  
 23 A Excuse me.  
 24 Q Who was responsible for the finances? Who took care  
 25 of the bank account or bank accounts?

1 financing.  
 2 Q What's the business of -- what does Embassy Ventures  
 3 Limited do?  
 4 A They deal in real estate, some business consulting.  
 5 Q What sort of consulting?  
 6 A A lot of that I pretty much left to my husband to  
 7 manage that part.  
 8 Q What interest does your husband have in Embassy  
 9 Ventures Limited?  
 10 A Interest as in -- what are you asking?  
 11 Q How is he involved?  
 12 A He assists me. He does the day-to-day operations of  
 13 whatever I ask him to, that sort of thing, whatever  
 14 I ask him to do for me.  
 15 Q Your testimony was that he kind of operated the  
 16 business consulting part of the business?  
 17 A He did it for me, yes.  
 18 Q When you say he did it for me, what do you mean by  
 19 that?  
 20 A Any clients we had gotten he was the one that  
 21 handled it for me.  
 22 Q And how was he compensated for that work?  
 23 A I feed him. I do his laundry.  
 24 Q So he did not draw a salary or receive any money?  
 25 A No.

EUSTICE REPORTING SERVICE  
 BOX 700488 TULSA, OK 74170 (918)445-2965

1 A Me.  
 2 Q Do you know if your husband had signing authority on  
 3 any accounts associated with the operation of this  
 4 business?  
 5 A No.  
 6 Q You don't know or he did not?  
 7 A He did not.  
 8 Q Did he ever have signing authority on any accounts  
 9 of this business?  
 10 A The business? To my recollection I don't think so.  
 11 Q Anybody besides you have signing authority on  
 12 accounts associated with Embassy Ventures Limited?  
 13 A No.  
 14 Q Where did Embassy Ventures Limited or where does  
 15 Embassy Ventures Limited have its bank account or  
 16 accounts?  
 17 A Chase.  
 18 Q Is there a particular branch that the business uses?  
 19 A I guess I did a lot of my deposits and things at the  
 20 Memorial branch, but I used all of them that was  
 21 nearby.  
 22 Q How many accounts does Embassy Ventures currently  
 23 have?  
 24 A I did open another, but right now it's nothing in  
 25 it.

1 Q I'm puzzled, Ms. Broadus, how you could lease a  
2 hundred thousand dollar vehicle with your husband in  
3 bankruptcy and you being unemployed. Could you  
4 explain how they allowed to give you a lease?  
5 A I applied.  
6 Q Okay. Did you fill out an application?  
7 A Yes.  
8 Q And what did you put down for your employment?  
9 A Self-employed.  
10 Q And they asked for your income on that lease  
11 agreement, didn't they?  
12 A I'm sure.  
13 Q What did you put down?  
14 A I don't remember.  
15 Q So if we got that, we could see what you put down.  
16 Did you believe you put down a monthly income that  
17 you made?  
18 A Uh huh.  
19 Q Is that right? Is your answer yes?  
20 A Uh huh.  
21 MR. KUTMAS: I think that's all I have.  
22 EXAMINATION  
23 BY MR. BADILLO:  
24 Q Hi, Ms. Broadus, I'm Richard Badillo and I'm going  
25 to ask some questions. Are you the sole officer of

EUSTICE REPORTING SERVICE  
BOX 700488 TULSA, OK 74170 (918)445-2965

1 A No. I don't know.  
2 Q You said your husband was a pastor in a church in  
3 McAlester?  
4 A Uh huh.  
5 Q What was the name of that church?  
6 A True Light Christian.  
7 Q True Light Christian?  
8 A Uh huh.  
9 Q Was it your testimony earlier that you had no  
10 affiliation with that church?  
11 A No, I didn't say that.  
12 Q What did you say? You said you were the pastor's  
13 wife; is that correct?  
14 A Yes.  
15 Q Wasn't it true that you were actually the secretary?  
16 A I didn't take any notes for the times we had the  
17 meetings, so --  
18 Q That's not my question. Were you secretary of the  
19 church?  
20 A I probably was. I don't remember.  
21 Q Did you represent to anyone -- (Interrupted)  
22 A No.  
23 Q -- that you were? Do you know who Ms. Angela  
24 Dinkens is?  
25 A I know her.

1 Embassy Ventures Limited?  
2 A Yes.  
3 Q Did you form it?  
4 A I had assistance.  
5 Q Who were those assistants?  
6 A My husband.  
7 Q So, who are the employees of Embassy Ventures  
8 Limited?  
9 A There are none.  
10 Q Were you CEO, president as well?  
11 A Uh huh.  
12 Q Did you pay yourself a salary?  
13 A No.  
14 Q Do you know who the Clarks are?  
15 A Off the top of my head, I don't know.  
16 Q How about Sharon Allen?  
17 A No.  
18 Q Would it surprise you if she had written checks to  
19 Embassy Ventures Limited?  
20 A I wouldn't know.  
21 Q So as the sole officer, you wouldn't have any idea  
22 who was giving Embassy Ventures money?  
23 A I don't know about that.  
24 Q Any large transaction -- did you oversee any large  
25 transactions? Did you have a built in procedure?

EUSTICE REPORTING SERVICE  
BOX 700488 TULSA, OK 74170 (918)445-2965

1 Q You do?  
2 A Uh huh.  
3 Q Was she an employee of that church?  
4 A I don't remember.  
5 Q So if she said you were the secretary, would she be  
6 lying?  
7 MR. WILLIAMS: Or mistaken? Objection.  
8 Q (By Mr. Badillo) Would she be mistaken to say that  
9 you were -- are you denying that you were the  
10 secretary?  
11 A I don't remember.  
12 Q Okay. Who are Tommy and Brenda Todd?  
13 A They were associate pastors.  
14 Q Of the True Light Church in McAlester?  
15 A No.  
16 Q Of what church?  
17 A Kingdom life.  
18 Q Did Ms. Angela Dinkens work there?  
19 A She did some volunteer work.  
20 Q Was she paid?  
21 A I don't know.  
22 Q What's your definition of volunteer work?  
23 A She did some paperwork. She did some entering into  
24 the computers as far as I know.  
25 Q Were you secretary at that church?

1 MS. STUCKEY: -- sign it? Then I would like to  
 2 certify that so we can appeal it. I'm done.  
 3 MR. THOMAS: Any questions?  
 4 MR. WILLIAMS: I've got one.  
 5 CROSS EXAMINATION  
 6 BY MR. WILLIAMS:  
 7 Q Long, long time ago, you were asked if Embassy  
 8 Ventures Limited did any trades. Do you recall  
 9 being asked that?  
 10 A Uh huh.  
 11 Q I just want to ask you, did Embassy Ventures do any  
 12 trades that you're aware of in 2007?  
 13 A No.  
 14 Q Did Embassy Ventures do any trades that you recall  
 15 for the past year?  
 16 A Not that I know of.  
 17 MR. WILLIAMS: I don't have any other.  
 18 MS. STUCKEY: Can we clarify that? What  
 19 exactly was the question about trades, what were  
 20 trades identified as?  
 21 MR. WILLIAMS: I don't think it was identified.  
 22 MR. THOMAS: The question I asked had to do  
 23 with whether Embassy Ventures conducted any --  
 24 MR. WILLIAMS: Currency trades.  
 25 MR. THOMAS: Currency trading. And the answer

EUSTICE REPORTING SERVICE  
 BOX 700488 TULSA, OK 74170 (918)445-2965

1 was yes.  
 2 MR. WILLIAMS: And it didn't have a time  
 3 period, so that's why I'm asking.  
 4 You can read and sign your deposition. You can  
 5 tell him you want to sign it. We'll read and sign.  
 6 (WITNESS EXCUSED)  
 7 SIGNATURE OF SHERI RENÉ BROADUS: \_\_\_\_\_  
 8 SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of  
 9 \_\_\_\_\_, 20\_\_\_\_.  
 10 SIGNATURE OF NOTARY PUBLIC: \_\_\_\_\_  
 11 My Commission expires: \_\_\_\_\_  
 12  
 13  
 14  
 15  
 16  
 17  
 18  
 19  
 20  
 21  
 22  
 23  
 24  
 25

EUSTICE REPORTING SERVICE  
 BOX 700488 TULSA, OK 74170 (918)445-2965

1 C E R T I F I C A T E  
 2  
 3 STATE OF OKLAHOMA )  
 4 ) SS.  
 5 COUNTY OF TULSA )  
 6  
 7 I, Greg Eustice, Certified Shorthand Reporter  
 8 in and for the State of Oklahoma, do hereby certify that  
 9 on October 24, 2007 pursuant to agreement, the above  
 10 witness, Sheri René Broadus, was by me first duly sworn  
 11 to testify the truth, the whole truth, and nothing but  
 12 the truth in the case aforesaid; and that the 2004  
 13 Examination by her was reduced to writing by me in  
 14 stenograph, and thereafter transcribed by myself, and is  
 15 fully and accurately set forth in the preceding 98 pages.  
 16 I do further certify that I am not related to  
 17 nor attorney for any of the said parties, nor otherwise  
 18 interested in the event of said action.  
 19 WITNESS my hand this \_\_\_\_ day of November,  
 20 2007.

\_\_\_\_\_  
 GREG EUSTICE  
 Certified Shorthand Reporter

**IN THE DISTRICT COURT OF OKLAHOMA COUNTY  
STATE OF OKLAHOMA**

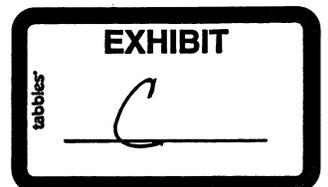
Oklahoma Department of Securities	)	
<i>ex rel.</i> Irving L. Faught,	)	
Administrator,	)	
	)	
Plaintiff.	)	
	)	
v.	)	Case No. CJ-2008-572
	)	
Timothy Broadous, individually and	)	
<i>dba</i> Embassy Ventures, Ltd. and	)	
Embassy Investments & Securities, Inc.	)	
Sheri Broadous, an individual and	)	
<i>dba</i> 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.	)	

**AFFIDAVIT OF DAN CLARKE**

STATE OF OKLAHOMA	)	
	)	ss:
COUNTY OF OKLAHOMA	)	

Dan Clarke, being of lawful age and being duly sworn, deposes and states as follows:

1. I am Supervisory Investigator for the Oklahoma Department of Securities (Department). I maintain the designation of Certified Fraud Examiner from the Association of Certified Fraud Examiners, a global association dedicated to providing anti-fraud education and training.
  
2. As part of my assigned duties as Supervisory Investigator, I supervise and conduct or assist in investigations conducted by the Department's Enforcement Division by, *inter alia*, reviewing and analyzing pertinent



bank account records to determine the sources and uses of funds flowing through such bank accounts.

3. At all times material hereto, Timothy Broadous and Sheri Broadous owned and/or controlled several bank accounts including account number 665476610 at JP Morgan Chase Bank (Chase Bank) in Tulsa, Oklahoma (Embassy Ventures I Account), account number 686953621 at Chase Bank (Embassy Ventures II Account), account number 702844564 at Chase Bank (Embassy Investments & Securities Account), account number 696665033 at Chase Bank (Broadous Account), account number 702844572 at Chase Bank (EIS IRA Fund Account), the Embassy Investments, Inc. account at Community Bank & Trust in Tulsa, Oklahoma (Embassy Investments Inc. Account), and account number 655394872 at Chase Bank, in Tulsa, Oklahoma (The Kings Embassy Account) as well as at least five other personal bank accounts at various banks.
4. In addition, Timothy Broadous owned and/or controlled several foreign currency trading accounts including account number 9992 at Capital Market Services (CMS) in New York, New York (Embassy Ventures Trading Account), account number 71230 at CMS (Broadous Trading Account), account number 7736 at CMS (Embassy Investments & Securities Trading Account), and account number 9736a at CMS (EIS IRA Trading Account).
5. In connection with the above-styled action, I have reviewed and analyzed the deposit items to and disbursements from the above listed accounts for the period beginning in December of 2004 and ending in June of 2007 (Relevant Time Period).
6. During the Relevant Time Period, Defendants accepted funds in excess of \$1,200,000 from at least 35 individuals for purported investment purposes (Embassy Investment Program).
7. The majority of the proceeds obtained by Timothy and Sheri Broadous through the Embassy Investment Program were deposited into the Embassy Ventures I Account where the proceeds were commingled with proceeds of bank loans obtained by Sheri Broadous. A portion of the proceeds was deposited into the Embassy Investments & Securities Account and the Broadous Account and commingled with other funds in those accounts. All of the funds deposited into the Embassy Ventures Account I, the Embassy Investments & Securities Account and the Broadous Account shall hereinafter be referred to as "Commingled Funds."

8. Of the \$1,200,000 received from investors in connection with the Embassy Investment Program, Defendants transferred \$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 20, 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.
9. Instead of investing the remaining \$970,000 of Investor funds as promised, Defendants used most of the money for the personal expenses of Timothy and Sheri Broadous, including the purchase of cars and the payment of mortgages on their home and rental properties. Some of the money was used to make payments to Roddy Howald and Edward Hunt, and to make payments of purported profits or investment returns to Investors in a classic "Ponzi" scheme.
10. In addition to the money received in the Embassy Investment Program, Defendants received \$325,000 from Jeffrey Coles (Coles) between April

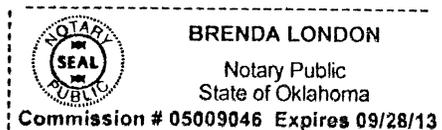
2005 and October 2005. Coles' money was deposited in the Broadous Account.

11. Instead of using Coles' funds to trade in foreign currency or purchase investment real estate, the Broadouses used the funds to pay their personal expenses and to make payments of purported profits or investment returns to Coles and Investors in the Investment Program.
12. In May 2006, Coles deposited \$800,000 into a bank account owned jointly by Coles and Timothy Broadous.
13. Immediately thereafter, Timothy Broadous transferred the funds to a foreign currency account over which he had sole control.
14. Timothy Broadous conducted no trading in the foreign currency trading account. Instead, within two months Timothy Broadous withdrew substantially all of Coles's funds and transferred those funds to bank accounts owned and controlled by Timothy and Sheri Broadous.
15. Instead of using Coles' funds to trade in foreign currency or purchase investment real estate, the Broadouses used the funds to pay their personal expenses and to make payments of purported profits or investment returns to Coles and Investors in the Investment Program.

FURTHER AFFIANT SAITH NOT.

  
\_\_\_\_\_  
Dan Clarke

Subscribed and sworn to before me this 1st day of October, 2009.



  
\_\_\_\_\_  
Notary Public

Timothy Broadous, Sheri Broadous,  
Embassy Ventures, Ltd.,  
Embassy Investments and Securities, Inc.,

**PROOF OF CLAIM**  
District Court of Oklahoma County  
State of Oklahoma  
Case No. CJ-2008-572

PLEASE READ INSTRUCTIONS CAREFULLY, DEADLINE FOR FILING PROOF OF CLAIMS IS AUGUST 15, 2008.

PART 1 Person Making Claim (Claimant)	
a. Claimant: NAME/ADDRESS Sharon Allen	N/A
Name	Name of Joint Account Holder
Mailing Address	Are you represented by an Attorney? <u>No</u>
City/State/Zip Code	State Attorney's name, address and telephone number: I am no longer able to afford the attorney I hired for CJ-2007-3413.
Home Phone	
E-Mail	

PART 2 Claim Information	
a. Who is your claim against? (Mark all that apply.)	b. Amount Invested:
<input checked="" type="checkbox"/> Timothy Broadous	1) 5/26/05 <del>\$50,000.00</del> IRA wire transfer
<input checked="" type="checkbox"/> Embassy Investments and Securities, Inc.	Investment Date Amount Invested Form of Payment
<input checked="" type="checkbox"/> Embassy Ventures, Ltd.	2) 2/13/06 <del>\$170,000.00</del> IRA wire transfer
<input checked="" type="checkbox"/> Sheri Broadous	Investment Date Amount Invested Form of Payment
<input type="checkbox"/> Other, please specify: _____	3) 1/04/07 \$48,817.17 IRA wire transfer
	Investment Date Amount Invested Form of Payment
	Investment Date Amount Invested Form of Payment*
	Total Investment: \$ <u>277,374.94</u>
	*You <b>MUST</b> provide supporting documentation in the form of canceled checks, cash receipts, copies of cashier's checks, wire transfer documentation, and/or monthly or quarterly statements regarding the investment.
c. Have any of the persons/entities listed in Part 2a paid any money to you? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	d. Amount of Claim:
If yes, specify the amount you received:	\$ <u>335,081.73</u>
Receipt Date Amount Received Form of Payment	If the Amount of Claim is different than the difference between the money you invested (the total from subsection b) and any money you received (the total from subsection c), please explain:
Receipt Date Amount Received Form of Payment	The difference between Amount of Claim and money invested is \$57,706.79. This is from monthly statement stating growth of \$67,873.60 less Administrative and Incentive Fees of \$10,166.79.
Receipt Date Amount Received Form of Payment	
Receipt Date Amount Received Form of Payment	
Receipt Date Amount Received Form of Payment	
Total Received: \$	

**EXHIBIT**  
tabbles  
D

PART 3

- a. What were you told about the investment of your money?  
1 - Tim Broadous was licensed to receive IRA money. His "Trustee's or Issuer's Federal Identification No". is 20-2111102 according to form 5498 that he was to file with the IRS.  
2 - Rate of return on the money was averaging between 13 - 16%.  
3 - No more than 10% of the money would be out for trade at any one time.
- b. What was the source of your investment funds?  
 Retirement funds/IRA     CD's/Money Market Account, etc.     Personal Savings  
 Liquidated Property     Inheritance     Other: \_\_\_\_\_
- c. Is your claim a secured claim?     Yes     No  
If yes, specify all security for such claim: \_\_\_\_\_
- d. Is your claim the subject of legal action (a lawsuit)?     Yes     No  
If yes, specify the Court in which the legal action is pending: District Court of Tulsa County, State of Oklahoma  
Case Number: CJ-2007-3413  
And all parties and attorneys: Sharon Allen, Tommy McLaurin, Clark Family Trust & Alice Peebles Trust  
Badillo Law Firm and Sharma Law Firm PARTIAL SUMMARY JUDGMENT GRANTED 8/22/2007
- e. Did you invest money on behalf of anyone else?     Yes     No  
If yes, specify the name, address, phone number and amount invested: \_\_\_\_\_
- f. Were you provided documents of any kind regarding your investments?     Yes     No  
If yes, please describe and attach: Monthly statements and forms 5498 for 2005 and 2006
- g. Do you know of anyone else who invested money with the persons or entities listed in part 2a?  
If yes, please provide their name, address, and phone number? Scott Craig, Roddy Howald, William & Cynthia Clark, Eugene & Kally Dorn, & Alice Peebles

THE AFFIRMATION THAT FOLLOWS MUST BE COMPLETED.



- F. The Department suggests you keep a copy of the completed Proof of Claim, including supporting documents, for your records.
- G. If you have any questions about the Proof of Claim procedure, you may call Gerri Stuckey at 405-280-7721 or Amanda Cornmesser at 405-280-7725.
- H. Claims Approval Procedure:
- i) Within such period as the court may establish, the Department will prepare and file a report setting forth the Claimants, amount of claims, and Department's recommendation with respect to each claim.
  - ii) Upon the filing of such report, the court will schedule a time for a hearing on the report. If you file a Proof of Claim, you will receive notice of the hearing and such other information concerning the report and hearing as the court deems appropriate under the circumstances. In addition to such other information which may be provided, if, for any reason, the Department does not recommend acceptance of a claim as filed by the Claimant, such Claimant will be advised of the Department's recommendation regarding such claim.
  - iii) The court will make the final determination as to whether claims are allowed or disallowed.

Timothy Broadous, Sheri Broadous,  
Embassy Ventures, Ltd.,  
Embassy Investments and Securities, Inc.,

**PROOF OF CLAIM**  
District Court of Oklahoma County  
State of Oklahoma  
Case No. EJ-2008-572

PLEASE READ INSTRUCTIONS CAREFULLY, DEADLINE FOR FILING PROOF OF CLAIMS IS AUGUST 15, 2008.

**PART 1 Person Making Claim (Claimant)**

a. Claimant: NAME/ADDRESS  
Clark Family Trust, Cynthia Clark  
Name Cynthia Clark  
Mailing Address: [REDACTED]  
City/State/Zip Code [REDACTED]  
Home Phone [REDACTED] Work Phone [REDACTED]  
E-Mail [REDACTED]

Name of Joint Account Holder  
William Clark, Jr.  
Are you represented by an Attorney? yes  
State Attorney's name, address and telephone number:  
Rich Baiditto Badillo  
240 W 15th St.  
Tulsa, OK 74119  
918-728-8484

**PART 2 Claim Information**

a. Who is your claim against? (Mark all that apply.)  
 Timothy Broadous  
 Embassy Investments and Securities, Inc.  
 Embassy Ventures, Ltd.  
 Sheri Broadous  
 Other, please specify: \_\_\_\_\_

b. Amount Invested:

Investment Date	Amount Invested	Form of Payment
<u>3-29-05</u>	<u>\$249,405.09</u>	<u>wire transfer</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Total Investment: \$ 249,405.09  
\*You **MUST** provide supporting documentation in the form of canceled checks, cash receipts, copies of cashier's checks, wire transfer documentation, and/or monthly or quarterly statements regarding the investment.

c. Have any of the persons/entities listed in Part 2a paid any money to you?  Yes  No  
If yes, specify the amount you received:

Receipt Date	Amount Received	Form of Payment
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Total Received: \$ \_\_\_\_\_

d. Amount of Claim:  
\$ 249,405.09

If the Amount of Claim is different than the difference between the money you invested (the total from subsection b) and any money you received (the total from subsection c), please explain:

**PART 3**

a. What were you told about the investment of your money?  
Our funds invested would net us about 1 1/2 % monthly.  
We were told this was a reputable company with a large  
number of clientele, we would receive our funds upon  
a written withdrawal request at any time.

b. What was the source of your investment funds?  
 Retirement funds/IRA     CD's/Money Market Account, etc.     Personal Savings  
 Liquidated Property     Inheritance     Other: \_\_\_\_\_

c. Is your claim a secured claim?     Yes     No  
If yes, specify all security for such claim: \_\_\_\_\_

d. Is your claim the subject of legal action (a lawsuit)?     Yes     No ?  
If yes, specify the Court in which the legal action is pending: \_\_\_\_\_  
Case Number: \_\_\_\_\_  
And all parties and attorneys: Rich Badillo

e. Did you invest money on behalf of anyone else?     Yes     No  
If yes, specify the name, address, phone number and amount invested: \_\_\_\_\_

f. Were you provided documents of any kind regarding your investments?     Yes     No  
If yes, please describe and attach: IRA Analysis  
(attached)

g. Do you know of anyone else who invested money with the persons or entities listed in part 2a?  
If yes, please provide their name, address, and phone number? (Sharon Allen - 5111 Buchanan Lane  
Pasco, WA 99301-509-542-1004) (Alice Prebles, 560 W. Deerview Ct. Green  
Valley, AZ 85614-520-207-9315) generally Dorn, 27804 E. Ruppert Rd, Benton  
City, WA 99320-509-967-7478)

**THE AFFIRMATION THAT FOLLOWS MUST BE COMPLETED.**

PROOF OF CLAIM

Timothy Broadous, Embassy Ventures, Ltd.,  
Embassy Investments and Securities, Inc., Sheri Broadous

District Court of Oklahoma County, State of Oklahoma; Case No. CJ-2008-572

AFFIRMATION

State of Washington )  
County of Benton ) ss:

The undersigned subscribes and affirms as true under the penalties of perjury as follows: that he or she has read the foregoing Proof of Claim and knows the contents thereof; that this claim in total amount of \$ 249,405.99 against Timothy Broadous, Embassy Ventures, Ltd., Embassy Investments and Securities, Inc., and/or Sheri Broadous, is justly owing to the Claimant; that the answers and information set forth in my Proof of Claim and in any accompanying statements and supporting documents are true and correct; that no payment of or on account of the aforesaid claim has been received except as above stated; and that there are no set offs or counterclaims thereto except as above stated.

Cynthia K. Clark  
Claimant (signature)

\_\_\_\_\_  
Title or Official Capacity (if any)

Subscribed and sworn to before me this 6<sup>th</sup> day of August, 2008.

(Seal)  
Commission No. 1607  
My Commission Expires 5-19-2010

[Signature]  
Notary Public

**IMPORTANT NOTICES**

- A. Proof of Claim must be properly signed and sworn to before a Notary Public or person authorized to administer oaths.
- B. Deadline: All Proofs of Claim must be postmarked no later than **August 15 2008**. The Oklahoma Department of Securities (Department) is not responsible for undelivered mail. To protect your claim, the Department recommends that you send your Proof of Claim by certified and/or registered mail.
- C. If you have a change of address, you are required to inform the Department of the new address.
- D. You **MUST** attach to your Proof of Claim documents or evidence supporting your claim. Failure to provide sufficient documentation or evidence supporting your claim is grounds for denial of the claim.
- E. Return your completed Proof of Claim form and supporting documentation to:

Gerri Stuckey  
Oklahoma Department of Securities  
First National Center, Suite 860  
120 North Robinson  
Oklahoma City, OK 73102

F. The Department suggests you keep a copy of the completed Proof of Claim, including supporting documents, for your records.

G. If you have any questions about the Proof of Claim procedure, you may call Gerri Stuckey at 405-280-7721 or Amanda Cornmesser at 405-280-7725.

H. Claims Approval Procedure:

i) Within such period as the court may establish, the Department will prepare and file a report setting forth the Claimants, amount of claims, and Department's recommendation with respect to each claim.

ii) Upon the filing of such report, the court will schedule a time for a hearing on the report. If you file a Proof of Claim, you will receive notice of the hearing and such other information concerning the report and hearing as the court deems appropriate under the circumstances. In addition to such other information which may be provided, if, for any reason, the Department does not recommend acceptance of a claim as filed by the Claimant, such Claimant will be advised of the Department's recommendation regarding such claim.

iii) The court will make the final determination as to whether claims are allowed or disallowed.

Timothy Broadous, Sheri Broadous,  
 Embassy Ventures, Ltd.,  
 Embassy Investments and Securities, Inc.,

**PROOF OF CLAIM**

District Court of Oklahoma County  
 State of Oklahoma  
 Case No. CJ-2008-572

PLEASE READ INSTRUCTIONS CAREFULLY, DEADLINE FOR FILING PROOF OF CLAIMS IS AUGUST 15, 2008.

<b>PART 1 Person Making Claim (Claimant)</b>	
a. Claimant: NAME/ADDRESS <u>JASON W. COX</u> Name _____ Mailing Address _____ City/State/Zip Code _____ Home Phone _____ Work Phone _____ E-Mail _____	Name of Joint Account Holder _____ Are you represented by an Attorney? <u>NO</u> State Attorney's name, address and telephone number: _____ _____ _____

<b>PART 2 Claim Information</b>																			
a. Who is your claim against? (Mark all that apply.) <input checked="" type="checkbox"/> Timothy Broadous <input checked="" type="checkbox"/> Embassy Investments and Securities, Inc. <input checked="" type="checkbox"/> Embassy Ventures, Ltd. <input checked="" type="checkbox"/> Sheri Broadous <input type="checkbox"/> Other, please specify: _____	b. Amount Invested: <table border="1"> <tr> <td><u>05-01-06?</u></td> <td><u>\$11,500.00</u></td> <td><u>Check</u></td> </tr> <tr> <td>Investment Date</td> <td>Amount Invested</td> <td>Form of Payment</td> </tr> <tr> <td>Investment Date</td> <td>Amount Invested</td> <td>Form of Payment</td> </tr> <tr> <td>Investment Date</td> <td>Amount Invested</td> <td>Form of Payment</td> </tr> <tr> <td>Investment Date</td> <td>Amount Invested</td> <td>Form of Payment</td> </tr> <tr> <td>Investment Date</td> <td>Amount Invested</td> <td>Form of Payment*</td> </tr> </table> <p>Total Investment: \$ _____        *You <b>MUST</b> provide supporting documentation in the form of canceled checks, cash receipts, copies of cashier's checks, wire transfer documentation, and/or <u>monthly or quarterly statements</u> regarding the investment.</p>	<u>05-01-06?</u>	<u>\$11,500.00</u>	<u>Check</u>	Investment Date	Amount Invested	Form of Payment	Investment Date	Amount Invested	Form of Payment	Investment Date	Amount Invested	Form of Payment	Investment Date	Amount Invested	Form of Payment	Investment Date	Amount Invested	Form of Payment*
<u>05-01-06?</u>	<u>\$11,500.00</u>	<u>Check</u>																	
Investment Date	Amount Invested	Form of Payment																	
Investment Date	Amount Invested	Form of Payment																	
Investment Date	Amount Invested	Form of Payment																	
Investment Date	Amount Invested	Form of Payment																	
Investment Date	Amount Invested	Form of Payment*																	

c. Have any of the persons/entities listed in Part 2a paid any money to you? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If yes, specify the amount you received: <u>10-20-06</u> <u>\$8,000.00</u> <u>WIRE TRANSFER TO ACCOUNT</u> <table border="1"> <tr> <td>Receipt Date</td> <td>Amount Received</td> <td>Form of Payment</td> </tr> <tr> <td>Receipt Date</td> <td>Amount Received</td> <td>Form of Payment</td> </tr> <tr> <td>Receipt Date</td> <td>Amount Received</td> <td>Form of Payment</td> </tr> <tr> <td>Receipt Date</td> <td>Amount Received</td> <td>Form of Payment</td> </tr> <tr> <td>Receipt Date</td> <td>Amount Received</td> <td>Form of Payment</td> </tr> </table> Total Received: \$ _____	Receipt Date	Amount Received	Form of Payment	Receipt Date	Amount Received	Form of Payment	Receipt Date	Amount Received	Form of Payment	Receipt Date	Amount Received	Form of Payment	Receipt Date	Amount Received	Form of Payment	d. Amount of Claim: <u>\$ 4081.67</u> If the Amount of Claim is different than the difference between the money you invested (the total from subsection b) and any money you received (the total from subsection c), please explain: <u>\$581.67 in gains. SEE STATEMENTS ATTACHED.</u>
Receipt Date	Amount Received	Form of Payment														
Receipt Date	Amount Received	Form of Payment														
Receipt Date	Amount Received	Form of Payment														
Receipt Date	Amount Received	Form of Payment														
Receipt Date	Amount Received	Form of Payment														

PART 3

a. What were you told about the investment of your money?

*It would be invested and RETURN 1-2% TOTAL MONTHLY GAINS*

b. What was the source of your investment funds?

- Retirement funds/IRA     CD's/Money Market Account, etc.     Personal Savings  
 Liquidated Property     Inheritance     Other: \_\_\_\_\_

c. Is your claim a secured claim?     Yes     No  
If yes, specify all security for such claim: \_\_\_\_\_

d. Is your claim the subject of legal action (a lawsuit)?     Yes     No  
If yes, specify the Court in which the legal action is pending: \_\_\_\_\_  
Case Number: \_\_\_\_\_  
And all parties and attorneys: \_\_\_\_\_

e. Did you invest money on behalf of anyone else?     Yes     No  
If yes, specify the name, address, phone number and amount invested: \_\_\_\_\_

f. Were you provided documents of any kind regarding your investments?     Yes     No  
If yes, please describe and attach: *STATUTES: ALL ARE ATTACHED (9) EMAILS: ALL ARE ATTACHED (2)*  
*1099- MISC ATTACHED (2006)*

g. Do you know of anyone else who invested money with the persons or entities listed in part 2a? *Not personally*  
If yes, please provide their name, address, and phone number? \_\_\_\_\_

THE AFFIRMATION THAT FOLLOWS MUST BE COMPLETED.

PROOF OF CLAIM

Timothy Broadous, Embassy Ventures, Ltd.,  
Embassy Investments and Securities, Inc., Sheri Broadous

District Court of Oklahoma County, State of Oklahoma; Case No: CJ-2008-572

AFFIRMATION

State of Oklahoma )  
County of Tulsa ) ss:

The undersigned subscribes and affirms as true under the penalties of perjury as follows: that he or she has read the foregoing Proof of Claim and knows the contents thereof, that this claim in total amount of \$409,67 against Timothy Broadous, Embassy Ventures, Ltd., Embassy Investments and Securities, Inc., and/or Sheri Broadous, is justly owing to the Claimant; that the answers and information set forth in my Proof of Claim and in any accompanying statements and supporting documents are true and correct; that no payment of or on account of the aforesaid claim has been received except as above stated; and that there are no set offs or counterclaims thereto except as above stated.

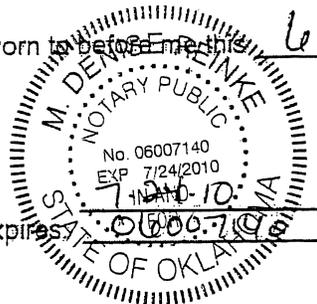
[Signature]  
Claimant (signature)

\_\_\_\_\_  
Title or Official Capacity (if any)

Subscribed and sworn to before me this 6 day of August, 2008.

(Seal)

Commission No:  
My Commission Expires:



[Signature]  
Notary Public

**IMPORTANT NOTICES**

- A. Proof of Claim must be properly signed and sworn to before a Notary Public or person authorized to administer oaths.
- B. Deadline: All Proofs of Claim must be postmarked no later than **August 15, 2008**. The Oklahoma Department of Securities (Department) is not responsible for undelivered mail. To protect your claim, the Department recommends that you send your Proof of Claim by certified and/or registered mail.
- C. If you have a change of address, you are required to inform the Department of the new address.
- D. You **MUST** attach to your Proof of Claim documents or evidence supporting your claim. Failure to provide sufficient documentation or evidence supporting your claim is grounds for denial of the claim.
- E. Return your completed Proof of Claim form and supporting documentation to:

Gerri Stuckey  
Oklahoma Department of Securities  
First National Center, Suite 860  
120 North Robinson  
Oklahoma City, OK 73102

Timothy Broadous, Sheri Broadous,  
 Embassy Ventures, Ltd.,  
 Embassy Investments and Securities, Inc.,

**PROOF OF CLAIM**

District Court of Oklahoma County  
 State of Oklahoma  
 Case No. CJ-2008-572

PLEASE READ INSTRUCTIONS CAREFULLY, DEADLINE FOR FILING PROOF OF CLAIMS IS AUGUST 15, 2008.

**PART 1 Person Making Claim (Claimant)**

a. Claimant: NAME/ADDRESS Zoe Shaw

Name [REDACTED] Name of Joint Account Holder \_\_\_\_\_

Mailing Address [REDACTED] Are you represented by an Attorney? No

City/State/Zip Code [REDACTED] State Attorney's name, address and telephone number: \_\_\_\_\_

Home Phone [REDACTED] Work Phone [REDACTED] \_\_\_\_\_

E-Mail [REDACTED] \_\_\_\_\_

**PART 2 Claim Information**

a. Who is your claim against? (Mark all that apply.)

Timothy Broadous

Embassy Investments and Securities, Inc.

Embassy Ventures, Ltd.

Sheri Broadous

Other, please specify: \_\_\_\_\_

b. Amount Invested:

<u>12/10/05</u>	<u>3,308.18</u>	<u>Check</u>
Investment Date	Amount Invested	Form of Payment
_____	_____	_____
Investment Date	Amount Invested	Form of Payment
_____	_____	_____
Investment Date	Amount Invested	Form of Payment
_____	_____	_____
Investment Date	Amount Invested	Form of Payment*
_____	_____	_____

Total Investment: \$ 3,308.18

\*You **MUST** provide supporting documentation in the form of canceled checks, cash receipts, copies of cashier's checks, wire transfer documentation, and/or monthly or quarterly statements regarding the investment.

c. Have any of the persons/entities listed in Part 2a paid any money to you?  Yes  No

If yes, specify the amount you received: \_\_\_\_\_

Receipt Date	Amount Received	Form of Payment
_____	_____	_____
Receipt Date	Amount Received	Form of Payment
_____	_____	_____
Receipt Date	Amount Received	Form of Payment
_____	_____	_____
Receipt Date	Amount Received	Form of Payment
_____	_____	_____
Receipt Date	Amount Received	Form of Payment
_____	_____	_____

Total Received: \$ \_\_\_\_\_

d. Amount of Claim:

\$ 3,308.18

If the Amount of Claim is different than the difference between the money you invested (the total from subsection b) and any money you received (the total from subsection c), please explain:

**PART 3**

a. What were you told about the investment of your money?

I was told that I was rolling over my <sup>Roth</sup> IRA, which I did from T.D. Waterhouse & would earn upwards of 30% on my investment.

b. What was the source of your investment funds?

- Retirement funds/IRA
- CD's/Money Market Account, etc.
- Personal Savings
- Liquidated Property
- Inheritance
- Other: \_\_\_\_\_

c. Is your claim a secured claim?  Yes  No

If yes, specify all security for such claim: ?

d. Is your claim the subject of legal action (a lawsuit)?  Yes  No

If yes, specify the Court in which the legal action is pending: \_\_\_\_\_  
Case Number: \_\_\_\_\_  
And all parties and attorneys: \_\_\_\_\_

e. Did you invest money on behalf of anyone else?  Yes  No

If yes, specify the name, address, phone number and amount invested: \_\_\_\_\_

f. Were you provided documents of any kind regarding your investments?  Yes  No

If yes, please describe and attach: Account Statements monthly & 2006 1099-MISC

↓ emails only / hard copy

g. Do you know of anyone else who invested money with the persons or entities listed in part 2a?

If yes, please provide their name, address, and phone number? Robert & Miranda Hunt  
14035 Edgemont Rd.  
Smithsburg, MD. 21783

**THE AFFIRMATION THAT FOLLOWS MUST BE COMPLETED.**

PROOF OF CLAIM

Timothy Broadous, Embassy Ventures, Ltd.,  
Embassy Investments and Securities, Inc., Sheri Broadous

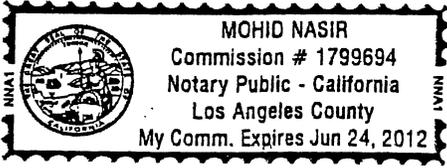
District Court of Oklahoma County, State of Oklahoma; Case No. CJ-2008-572

AFFIRMATION

State of California )  
County of Los Angeles ) ss:

The undersigned subscribes and affirms as true under the penalties of perjury as follows: that he or she has read the foregoing Proof of Claim and knows the contents thereof; that this claim in total amount of \$ \_\_\_\_\_ against Timothy Broadous, Embassy Ventures, Ltd., Embassy Investments and Securities, Inc., and/or Sheri Broadous, is justly owing to the Claimant; that the answers and information set forth in my Proof of Claim and in any accompanying statements and supporting documents are true and correct; that no payment of or on account of the aforesaid claim has been received except as above stated; and that there are no set offs or counterclaims thereto except as above stated.

[Signature] 8/12/08  
Claimant (signature)  
Claimant  
Title or Official Capacity (if any)



Subscribed and sworn to before me this 12th day of AUGUST, 2008.

(Seal)

[Signature] **MOHID NASIR, NOTARY PUBLIC**  
Notary Public

Commission No: 1799694  
My Commission Expires: 6/24/2012

**IMPORTANT NOTICES**

- A. Proof of Claim must be properly signed and sworn to before a Notary Public or person authorized to administer oaths.
- B. Deadline: All Proofs of Claim must be postmarked no later than **August 15 2008**. The Oklahoma Department of Securities (Department) is not responsible for undelivered mail. To protect your claim, the Department recommends that you send your Proof of Claim by certified and/or registered mail.
- C. If you have a change of address, you are required to inform the Department of the new address.
- D. You **MUST** attach to your Proof of Claim documents or evidence supporting your claim. Failure to provide sufficient documentation or evidence supporting your claim is grounds for denial of the claim.
- E. Return your completed Proof of Claim form and supporting documentation to:

Gerri Stuckey  
Oklahoma Department of Securities  
First National Center, Suite 860  
120 North Robinson  
Oklahoma City, OK 73102

F. The Department suggests you keep a copy of the completed Proof of Claim, including supporting documents, for your records.

G. If you have any questions about the Proof of Claim procedure, you may call Gerri Stuckey at 405-280-7721 or Amanda Cornmesser at 405-280-7725.

H. Claims Approval Procedure:

i) Within such period as the court may establish, the Department will prepare and file a report setting forth the Claimants, amount of claims, and Department's recommendation with respect to each claim.

ii) Upon the filing of such report, the court will schedule a time for a hearing on the report. If you file a Proof of Claim, you will receive notice of the hearing and such other information concerning the report and hearing as the court deems appropriate under the circumstances. In addition to such other information which may be provided, if, for any reason, the Department does not recommend acceptance of a claim as filed by the Claimant, such Claimant will be advised of the Department's recommendation regarding such claim.

iii) The court will make the final determination as to whether claims are allowed or disallowed.

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF OKLAHOMA

JEFFREY A. COLES, )

Plaintiff, )

v. )

TIMOTHY O. BROADOUS, )

Defendant. )

Case No. 07-CV-083 JHP-SAJ

**AFFIDAVIT OF JEFFREY A. COLES**

STATE OF VIRGINIA )  
 ) ss.  
COUNTY OF LOUDOUN )

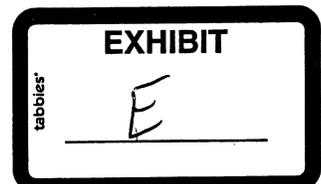
I, Jeffrey A. Coles, after first being duly sworn, hereby depose and state upon my personal knowledge, information, and belief, as follows:

1. I am now, and at all times pertinent hereto have been, a resident of the State of Virginia, residing in Purcellville, Virginia.

2. In October, 2005, I agreed to lend Timothy Broadous, Defendant above-named, the principal sum of \$325,000. On October 4, 2005, Defendant Broadous voluntarily and personally entered into a Loan Agreement and Promissory Note in the principal sum of \$325,000, with said Note to bear interest at the rate of 4.5% per 30-day period on the unpaid balance.

3. The October 4, 2005 Promissory Note unequivocally obligates Defendant Broadous to make monthly interest payments to me, as the lender, every thirty (30) days from the date of the execution of the Loan Agreement.

4. Throughout the term of the October 2005 Loan Agreement and Promissory Note, Defendant Broadous made monthly payments of accrued interest, based upon the 4.5% per



month charge, in the amount of \$14,625 per month, through and including the month of October, 2006.

5. On October 4, 2006, consistent with the terms of the October, 2005 Loan Agreement and Promissory Note, and with the desires of Defendant Broadous and myself, Defendant Broadous entered into a new Loan Agreement and Promissory Note, renewing the same principal sum of \$325,000 and continuing to provide for monthly payments of interest at the rate of 4.5% per 30-day period. A true and correct copy of the Loan Agreement and Promissory Note is attached hereto as Exhibit 1.

6. Under the terms of the October, 2006 Loan Agreement and Promissory Note, Defendant Broadous was required to pay, in addition to the monthly accruing interest, a penalty for late payment in the amount of 3% of any late payment under the terms of the Loan Agreement following delivery of notice of default to Defendant Broadous.

7. Although payments in the amount of \$14,625 per month were required to be made by Defendant Broadous for each month beginning in November, 2006, through the present time, no such payments were made.

8. As a result of the failure to make payments as contemplated under the October, 2006 Loan Agreement and Promissory Note, there is currently due and owing a past monthly payment arrearage in the total amount of \$73,125, as of March 4, 2007.

9. In light of the breach of the obligations of the Loan Agreement and Promissory Note by Defendant Broadous, I caused to be sent to Defendant Broadous a notice of default and demand that the default be cured on January 18, 2007.

10. Defendant Broadous has not cured his default under the terms of the Loan Agreement and Promissory Note from and after January 18, 2007. As a consequence, I am

entitled to recover as a penalty for late payment 3% of the amount of the unpaid payments, which equates to \$438.75 per monthly payment for an aggregate of \$2,193.75, and accruing hereafter at the additional sum of \$438.75 per month until paid.

11. Further, and in accordance with the terms of the October 4, 2006 Loan Agreement and Promissory Note, in light of the default by Defendant Broadous, the entire principal sum of \$325,000, plus past due interest of \$73,125 and accruing interest and late penalties, are now due and payable in full.

12. In May, 2006, I agreed to lend Timothy Broadous, Defendant above-named, the principal sum of \$800,000. On May 19, 2006, Defendant Broadous voluntarily and personally entered into a Loan Agreement and Promissory Note in the principal sum of \$800,000, with said Note to bear interest at the rate of 2.5% compounded monthly on the unpaid balance. See Exhibit 2, attached hereto.

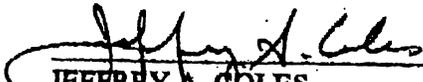
13. In December, 2006, in accordance with the terms of the said Note, I requested a partial repayment of the principal of the Note. Despite being obligated to do so within forty-eight (48) hours, no partial repayment has been made as requested, thus breaching the Note.

14. In light of the breach of the obligations of the \$800,000 Loan Agreement and Promissory Note by Defendant Broadous, I caused to be sent to Defendant Broadous a notice of default and demand that the default be cured on January 18, 2007.

15. Defendant Broadous has not cured his default under the terms of the May 19, 2006 Loan Agreement and Promissory Note from and after January 18, 2007. As a consequence, I am entitled to recover as a penalty for late payment 2.5% of the amount of the unpaid payment.

16. Further, and in accordance with the terms of the May 19, 2006 Loan Agreement and Promissory Note, in light of the default by Defendant Broadous, the entire principal sum of \$800,000, plus past due interest and accruing interest and late penalties, are now due and payable in full. A true and correct calculation of all principal and interest payments due is attached as Exhibit 3.

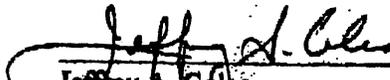
FURTHER AFFIANT SAYETH NOT.

  
\_\_\_\_\_  
JEFFREY A. COLES

**VERIFICATION**

STATE OF VIRGINIA     )  
                                  ) ss.  
COUNTY OF LOUDOUN    )

I, Jeffrey A. Coles, of lawful age, being first duly sworn upon oath, depose and state that I have read the above and foregoing Affidavit and that the statements and facts therein contained are true and correct to the best of my knowledge and belief.

  
\_\_\_\_\_  
Jeffrey A. Coles

SUBSCRIBED and SWORN to before me this 5th day of March, 2007.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 7/31/08

My Commission Number: N/A

LOAN ID: 1018061059JAC

**LOAN AGREEMENT AND PROMISSORY NOTE**

This **LOAN AGREEMENT AND PROMISSORY NOTE** (this "Agreement") is made this **4th day of October, 2006**, by and among Timothy O. Broadous (hereinafter, known as "Borrower") and Jeffrey A. Coles (hereinafter, known as "Lender"). BORROWER and LENDER shall collectively be known as "the Parties". In determining the rights and duties of the parties under this Loan Agreement, the entire document must be read as a whole.

**PROMISSORY NOTE**

FOR VALUE RECEIVED, BORROWER promises to pay to the order of LENDER the sum of **\$325,000** together with interest thereon at a rate of **4.5%** (hereinafter the "Interest Rate") per 30 day period on the unpaid balance. (hereinafter the "Loan Amount"). This is a term promissory note that shall automatically renew every 12 months beginning from the date of execution by the Parties, unless written notice is provided by either party terminating the agreement (hereinafter the "Maturity Date"). The entire outstanding Loan Amount (including principal and accrued interest) shall be fully paid by Borrower to Lender, or any subsequent assignee of this note pursuant to the terms and conditions set forth below; however, in all cases, the outstanding Loan Amount shall be fully paid by the Maturity Date.

**ADDITIONAL LOAN TERMS**

The BORROWER AND LENDER, hereby set their rights and obligations to one another under this Loan Agreement and Promissory Note and agree to be legally bound as follows:

**A. Loan Repayment Terms.**

Borrower shall make monthly interest payments to Lender beginning 30 days after execution of this agreement and continuing, every 30 days thereafter on the monthly anniversary date of the first payment until the Maturity Date. As defined above, this is a term promissory note that shall automatically renew every 12 months beginning from the date of execution by the Parties, unless written notice is provided by either party terminating the agreement (Hereinafter, the "Maturity Date"). At the Maturity Date, BORROWER shall pay to LENDER the entire unpaid balance upon the loan amount, principal and interest, if any.

*LENDER, upon notification to BORROWER via email or written request, may request partial or total repayment of principal together with any accrued interest.*

*BORROWER agrees to honor LENDER'S request within 48 hours of receipt of notification.*

**B. Loan Prepayment.**

BORROWER may prepay the entire Loan Amount due LENDER, (i.e. make payment prior to the time that it is due) without penalty; however, only a prepayment of the entire Loan Amount is permitted under this agreement.

**C. Method of Loan Payment.**

The BORROWER shall make all payments called for under this loan agreement by sending check or other negotiable instrument made payable to the following entity at the address indicated:

Jeffrey A. Coles  
121 DeSales Dr.  
Purcellville, Va. 20132  
Telephone:

If LENDER gives written notice to BORROWER that a different address shall be used for making payments under this Loan Agreement, BORROWER, shall use the new address so given by LENDER.

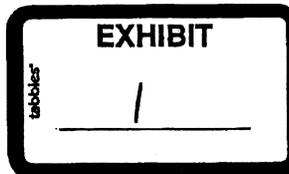
**D. Default**

The occurrence of any of the following events shall constitute a Default by the Borrower of the terms of this Loan Agreement and promissory Note.

1. BORROWER's failure to pay any amount due as principal or interest on the date required under this loan agreement.
2. BORROWER seeks an order of relief under the Federal Bankruptcy Laws.
3. BORROWER becomes Insolvent.
4. A Federal Tax Lien is filed against the assets of BORROWER.
5. A money judgment is entered by any court against BORROWER.

Borrower's Initials \_\_\_\_\_

1



Lender's Initials \_\_\_\_\_

LOAN ID: 1018061059JAC

Borrower must pay to the Lender the overdue Interest payment amount of \$250, and a penalty of \$7.50.

**E. Additional Provisions Regarding Default**

1. Failure to provide Addressee and address to which Lender is to give Borrower written notice of default.
2. If Borrower gives written notice to Lender that a different address shall be used, Lender shall use that address for giving notice of default to Borrower under this Loan Agreement.
3. **Cure of Default.** Upon default, Lender shall give Borrower written notice of default. Mailing of written notice by Lender to Borrower via U.S. Postal Service Certified Mail shall constitute prima facie evidence of delivery. Borrower shall have fifteen days after receipt of written notice of default from Lender to cure said default. In the case of default due solely to Borrowers failure to make timely payment as called for in this Loan Agreement, Borrower may cure the default by making full payment of any principal and accrued interest (including interest on these amounts) whose payment to Lender is overdue under the Loan Agreement and, also, the Late Payment Penalty as described below.
4. **Penalty for Late Payment.** There shall also be imposed upon BORROWER a 3% Penalty for any Late Payment computed upon the amount of any principal or accrued interest whose payment to LENDER is overdue under this Loan Agreement and for which Lender has delivered a notice of default to BORROWER. For example, if the agreement calls for monthly interest payments of \$250 and BORROWER fails to make timely payment of said amount, Borrower (after receipt of a default notice from Lender) shall be liable to Lender for a penalty of \$7.50 (i.e. 250 x 3%) and, to cure the default, the

5. **Acceleration.** If the borrower fails to cure any default on or before the expiration of the 15 day cure period that starts on the date Borrower receives written notice from Lender that an event of default has occurred under this Loan Agreement, the entire unpaid principal, accrued interest, and penalties under this loan agreement shall accelerate and become due and payable immediately.

6. **Indemnification of Attorney fees and Out of Pocket Costs.** Should any party breach this agreement, the non-breaching party shall be indemnified by the breaching party for its reasonable attorney fees and out-of-pocket-costs which in any way to or were precipitated by, the breach of the breach of this agreement. The term "out-of-pocket-costs", as used herein, shall not include lost profits. A default by borrower which is not cured within 15 days after receiving written notice of default from Lender constitutes a material breach of this agreement by Borrower.

- F. **Parties that are not Individuals.** If any party to this agreement is other than an individual (i.e., a corporation, a Limited Liability Company, a Partnership or a Trust), said Party, and the individual signing on behalf of said Party, hereby represents and warrants that all steps and actions have been taken under the entity's governing instruments to authorize the entry into this loan agreement. Breach of any representation contained in this paragraph is considered a material breach of the Loan Agreement.

- G. **Integration.** This agreement, including the attachments mentioned in the body as incorporated by reference, sets forth the entire agreement between the parties

Borrower's Initials \_\_\_\_\_

2

Lender's Initials \_\_\_\_\_

with regard to the subject matter hereof. All prior agreements, representations and warranties, express or implied, oral or written, with respect to the subject matter hereof, are hereby superceded by this agreement. This is an integrated agreement.

- H. Severability.** In the event any provision of this agreement is deemed to be void, invalid, or unenforceable, that provision shall be severed from the remainder of the agreement so as not to cause the invalidity or unenforceability of the remainder of this agreement. All remaining provisions of this agreement shall then continue in full force and effect. If any provision shall be deemed invalid due to its scope or breadth, such provision shall be deemed valid, to the extent of the scope and breadth permitted by law.
- I. Modification.** Except as otherwise provided in this document, this agreement may be modified, superceded or voided only upon the written and signed agreement of the parties. Further, the physical destruction or loss of this document shall not be construed as a modification or termination of the agreement contained herein.
- J. Exclusive Jurisdiction for Suit in Case of Breach.** The parties, by entering into this agreement, submit to jurisdiction in Tulsa, Oklahoma for adjudication of any disputes, and/or claims between the parties under this agreement. Furthermore, the parties agree that the courts of Tulsa, Oklahoma shall have exclusive jurisdiction over any disputes between the parties relative to this agreement, whether said disputes sounds in contract, tort or any other areas of law.
- K. Reporting.** Furnish to the LENDER:
  - 1. A Monthly Loan Activity Statement consisting of Loan Amount, interest applied, and ending balance.
- L. State Law.** This agreement shall be interpreted under, and governed by, the laws of the State of Oklahoma.

**IN WITNESS HEREOF** and acknowledging acceptance and agreement of the foregoing,

Borrower's Initials \_\_\_\_\_

LOAN ID: 1018061059JAC

BORROWER AND LENDER affix their signatures hereto.

**BORROWER(S)**

*T. O. Broadous*

\_\_\_\_\_  
Timothy O. Broadous

October 4, 2006

\_\_\_\_\_  
Dated

**LENDER(S)**

*Jeffrey A. Coles*

\_\_\_\_\_  
Jeffrey A. Coles

10/5/06  
\_\_\_\_\_  
Dated

**NOTICES.** Notices, requests or other communications hereunder shall be in writing and shall be deemed to have been duly given and shall be deemed sufficient to preserve the rights of the sending Party, if (a) mailed by certified or registered mail, with postage prepaid by sender, or shipped by express courier service, with charges prepaid by, sender and receipted for by or on behalf of the intended recipient; or (c) delivered by hand and received by or on behalf of the intended recipient in each case to the following address:

If to "BORROWER": Timothy o. Broadous  
3406 Woodmere Ln.  
Sapulpa, Oklahoma 74066  
Telephone: (918) 812-9814

If to "LENDER": Jeffrey A. Coles  
121 DeSales Dr.  
Purcellville, Va. 20132  
Telephone: (301) 579-4200

Lender's Initials \_\_\_\_\_

**LOAN AGREEMENT AND PROMISSORY NOTE**

This **LOAN AGREEMENT AND PROMISSORY NOTE** (this "Agreement") is made this **19 day of May, 2006** by and among Timothy O. Broadous (hereinafter, known as "Borrower") and Jeffrey A. Coles (hereinafter, known as "Lender"). BORROWER and LENDER shall collectively be known as "the Parties". In determining the rights and duties of the parties under this Loan Agreement, the entire document must be read as a whole.

**PROMISSORY NOTE**

FOR VALUE RECEIVED, BORROWER promises to pay to the order of LENDER the sum of **\$800,000.00** together with interest thereon at a monthly rate of **2.5%** (hereinafter the "Interest Rate") **compounded monthly**. This promissory note that shall expire 12 months from the date of execution by the Parties, (hereinafter, "The Maturity Date"). The entire outstanding Loan Amount (including principal and accrued interest) shall be fully paid by Borrower to Lender, or any subsequent assignee of this note pursuant to the terms and conditions set forth below; however, in all cases, the outstanding Loan Amount shall be fully paid by the Maturity Date. Lender will be provided with monthly statements.

**ADDITIONAL LOAN TERMS**

The BORROWER AND LENDER, hereby set their rights and obligations to one another under this Loan Agreement and Promissory Note and agree to be legally bound as follows:

**A. Loan Repayment Terms.**

Fifty percent of any realized interest on the principle amount above the 3.75% shall be shared equally between Borrower and Lender.

At the Maturity Date, BORROWER shall pay to LENDER the entire unpaid balance upon the loan amount, principal and interest, if any.

*LENDER, upon notification to BORROWER via email or written request, may request partial or total repayment of principal together with or without any accrued interest. BORROWER agrees to honor LENDER'S request within 48 hours of receipt of notification.*

**B. Loan Prepayment.**

*BORROWER may prepay the entire Loan Amount due LENDER, (i.e. make payment prior to the time that it is due) without penalty; however, only a prepayment of the entire Loan Amount together with*

*accrued interest is permitted under this agreement.*

**C. Method of Loan Payment.**

The BORROWER shall make all payments called for under this loan agreement by wire transfer to the following account as indicated:

JP Morgan Chase Bank  
c/o Jeffrey A. Coles & T. Broadous  
Account No: 2046578148  
3406 Woodmere Ln  
Sapulpa, Oklahoma 74066

If LENDER gives written notice to BORROWER that a different method shall be used for making payments under this Loan Agreement, BORROWER, shall use the new method so given by LENDER.

**D. Default**

The occurrence of any of the following events shall constitute a Default by the Borrower of the terms of this Loan Agreement and promissory Note.

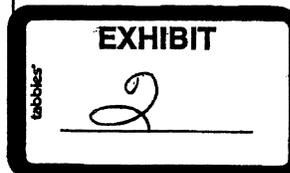
1. BORROWER's failure to pay any amount due as principal or interest on the date required under this loan agreement.
2. BORROWER seeks an order of relief under the Federal Bankruptcy Laws.
3. BORROWER becomes insolvent.
4. A Federal Tax Lien is filed against the assets of BORROWER.
5. A money judgment is entered by any court against BORROWER.

**E. Additional Provisions Regarding Default**

1. Failure to provide Addressee and address to which Lender is to give Borrower written notice of default.

Borrower's Initials \_\_\_\_\_

1



Lender's Initials \_\_\_\_\_

2. If Borrower gives written notice to Lender that a different address shall be used, Lender shall use that address for giving notice of default to Borrower under this Loan Agreement.
3. **Cure of Default.** Upon default, Lender shall give Borrower written notice of default. Mailing of written notice by Lender to Borrower via U.S. Postal Service Certified Mail shall constitute prima facie evidence of delivery. Borrower shall have fifteen days after receipt of written notice of default from Lender to cure said default. In the case of default due solely to Borrowers failure to make timely payment as called for in this Loan Agreement, Borrower may cure the default by making full payment of any principal and accrued interest (including interest on these amounts) whose payment to Lender is overdue under the Loan Agreement and, also, the Late Payment Penalty as described below.
4. **Penalty for Late Payment.** There shall also be imposed upon BORROWER a 2.5% Penalty for any Late Payment computed upon the amount of any principal or accrued interest whose payment to LENDER is overdue under this Loan Agreement and for which Lender has delivered a notice of default to BORROWER. For example, if BORROWER fails to make timely payment of said amount, Borrower (after receipt of a default notice from Lender) shall be liable to Lender for a penalty of 2.5% and, to cure the default, the Borrower must pay to the Lender the overdue interest payment amount.
5. **Acceleration.** If the borrower fails to cure any default on or before the expiration of the 15 day cure period that starts on the date Borrower receives written notice from Lender that an event of default has occurred under this Loan

Agreement, the entire unpaid principal, accrued interest, and penalties under this loan agreement shall accelerate and become due and payable immediately.

**6. Indemnification of Attorney fees and Out of Pocket Costs.** Should any party breach this agreement, the non-breaching party shall be indemnified by the breaching party for its reasonable attorney fees and out-of-pocket-costs which in any way to or were precipitated by, the breach of the breach of this agreement. The term "out-of-pocket-costs", as used herein, shall not include lost profits. A default by borrower which is not cured within 15 days after receiving written notice of default from Lender constitutes a material breach of this agreement by Borrower.

- F. **Parties that are not Individuals.** If any party to this agreement is other than an individual (i.e., a corporation, a Limited Liability Company, a Partnership or a Trust), said Party, and the individual signing on behalf of said Party, hereby represents and warrants that all steps and actions have been taken under the entity's governing instruments to authorize the entry into this loan agreement. Breach of any representation contained in this paragraph is considered a material breach of the Loan Agreement.
- G. **Integration.** This agreement, including the attachments mentioned in the body as incorporated by reference, sets forth the entire agreement between the parties with regard to the subject matter hereof. All prior agreements, representations and warranties, express or implied, oral or written, with respect to the subject matter hereof, are hereby superceded by this agreement. This is an integrated agreement.
- H. **Severability.** In the event any provision of this agreement is deemed to be void, invalid, or unenforceable, that provision shall be severed from the remainder of the agreement so as not to cause the

Invalidity or unenforceability of the remainder of this agreement. All remaining provisions of this agreement shall then continue in full force and effect. If any provision shall be deemed invalid due to its scope or breadth, such provision shall be deemed valid, to the extent of the scope and breadth permitted by law.

**I. Modification.** Except as otherwise provided in this document, this agreement may be modified, superceded or voided only upon the written and signed agreement of the parties. Further, the physical destruction or loss of this document shall not be construed as a modification or termination of the agreement contained herein.

**J. Exclusive Jurisdiction for Suit in Case of Breach.** The parties, by entering into this agreement, submit to jurisdiction in Tulsa, Oklahoma for adjudication of any disputes, and/or claims between the parties under this agreement. Furthermore, the parties agree that the courts of Tulsa, Oklahoma shall have exclusive jurisdiction over any disputes between the parties relative to this agreement, whether said disputes sounds in contract, tort or any other areas of law.

**K. Reporting.** Furnish to the LENDER:

- 1. A Monthly Loan Activity Statement consisting of Loan Amount, Interest applied, and ending balance.

**L. State Law.** This agreement shall be interpreted under, and governed by, the laws of the State of Oklahoma.

**IN WITNESS HEREOF** and acknowledging acceptance and agreement of the foregoing, BORROWER AND LENDER affix their signatures hereto.

**BORROWER(S)**

*[Signature]*  
Timothy O. Broadous

May 19, 2006  
Dated

**LENDER(S)**

*[Signature]*  
Jeffrey A. Coles

5/20/06  
Dated

**NOTICES.** Notices, requests or other communications hereunder shall be in writing and shall be deemed to have been duly given and shall be deemed sufficient to preserve the rights of the sending Party, if (a) mailed by certified or registered mail, with postage prepaid by sender, or shipped by express courier service, with charges prepaid by, sender and receipted for by or on behalf of the intended recipient; or (c) delivered by hand and received by or on behalf of the intended recipient in each case to the following address:

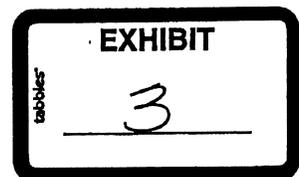
If to "BORROWER": Timothy o. Broadous  
3406 Woodmere Ln.  
Sapulpa, Oklahoma 74066  
Telephone: (918) 812-9814

If to "LENDER": Jeffrey A. Coles  
121 DeSales Dr.  
Purcellville, Va. 20132  
Telephone: (301) 579-4200

\$800,000 Note – May 19, 2006  
2.5% Compounded Monthly

	<u>Accruing Interest</u>	<u>Balance</u>
5/19/06	-	\$ 800,000.00
6/19/06	\$ 20,000.00	\$ 820,000.00
7/19/06	\$ 20,500.00	\$ 840,500.00
8/19/06	\$ 21,012.50	\$ 861,512.50
9/19/06	\$ 21,537.81	\$ 883,050.31
10/19/06	\$ 22,076.26	\$ 905,126.57
11/19/06	\$ 22,628.16	\$ 927,754.73
12/19/06	\$ 23,193.87	\$ 950,948.60
1/19/07	\$ 23,773.72	\$ 974,722.32
2/19/07	\$ 24,368.06	\$ 999,090.38

686300.1



50

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF OKLAHOMA

**FILED**  
FEB 23 2007  
Phil Lombardi, Clerk  
U.S. DISTRICT COURT

JEFFREY A. COLES )

Plaintiff )

v. )

TIMOTHY O. BROADOUS )

Defendant )

**SUMMONS IN A CIVIL ACTION**

Case No. 07CV 083JHP-SAJ

**RESPONSE**

Timothy Broadous states as follows:

**Parties and Jurisdiction**

1. Defendant Broadous is a resident of the state of Oklahoma, currently residing in Sapulpa, Oklahoma.
2. Defendant is not the Chairman and CEO of Embassy Investments & Securities, Inc.
3. This court has jurisdiction over this action pursuant 20 28 U.S.C. §1332(a), as there is complete diversity of citizenship among the parties and the amount in controversy exceeds the sum or value of \$75,000, exclusive of interest & costs.

**The \$325,000 Promissory Note**

5. In October 2005, Defendant Broadous and Plaintiff Coles voluntarily and personally entered into a promissory note in the amount of \$325,000 together with interest thereon at a rate of 2.5 percent compounded monthly.
6. The Promissory Note was not executed in exchange for the performance of financial services. The parties do not have an agreement for the performance of financial services. No performance agreement exists between the parties beyond the performances stipulated in the Promissory Note.

**EXHIBIT**

F

tabbles

**The \$800,000 Promissory Note**

7. On May 19, 2006, Defendant Broadous and Plaintiff Coles voluntarily and personally entered into a promissory note in the amount of \$800,000.00 together with interest thereon at a rate of 2.5 percent compounded monthly.

8. The Promissory Note was not executed in exchange for the performance of financial services. The parties do not have an agreement for the performance of financial services. No performance agreement exists between the parties beyond the performances stipulated in the Promissory Note.

Respectfully submitted,



---

Timothy O. Broadous  
918-812-9814 – Telephone

**FILED**

APR 16 2008 BT

MICHAEL L WILLIAMS CLERK  
U S BANKRUPTCY COURT  
NORTHERN DISTRICT OF OKLAHOMA

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF OKLAHOMA

IN RE: )

TIMOTHY O. BROADOUS, )

Debtor. )

) Case No. 07-1 1582-R  
) Chapter 7

RICHARD A. WIELAND )  
UNITED STATES TRUSTEE, )

Plaintiff, )

vs. )

) Adversary Proc. No. 08-01006-R

TIMOTHY O. BROADOUS, )

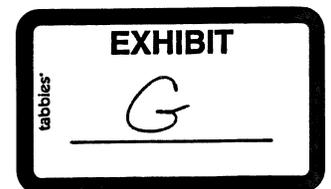
Defendant. )

**AGREED JOURNAL ENTRY APPROVING STIPULATION  
AND DEBTOR'S WAIVER OF DISCHARGE**

COMES NOW for consideration before this Court, the parties' Stipulation Regarding Debtors' Waiver of Discharge. The debtor/defendant appears by and through his counsel, Jerry Williams. Paul R. Thomas appears for Richard A. Wieland, United States Trustee.

The parties inform the Court that an agreement has been reached where the debtor/defendant, Timothy O. Broadous, will waive his discharge pursuant to 11 U.S.C. § 727(a)(10). The stipulation filed by the parties sets forth the agreement in its entirety.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED that the stipulation entered into by the parties resolving this adversary proceeding is hereby approved. Timothy O. Broadous is hereby granted a waiver of discharge, pursuant to his request, which the Court approves.

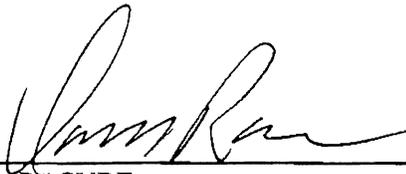


UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF OKLAHOMA Page 2  
WIELAND V. BROADOUS: ADV. PROC. NO. 08-01006-R/CASE NO. 07-11582-R  
AGREED JOURNAL ENTRY APPROVING STIPULATION AND WAIVER OF DISCHARGE  
April 2, 2008

---

IT IS SO ORDERED.

DATED: \_\_\_\_\_

  
\_\_\_\_\_  
DANA L. RASURE  
CHIEF UNITED STATES BANKRUPTCY JUDGE

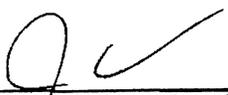
SUBMITTED BY:

RICHARD A. WIELAND  
UNITED STATES TRUSTEE

  
\_\_\_\_\_  
Paul R. Thomas, OBA # 11546  
Office of the United States Trustee  
224 S. Boulder Ave., Room 225  
Tulsa, OK 74103  
Telephone: 918.581.6687  
Facsimile: 918.581.6674  
[paul.thomas2@usdoj.gov](mailto:paul.thomas2@usdoj.gov)

APPROVED BY:

Balogh Mitchell & Williams  
Attorneys for Debtor

  
\_\_\_\_\_  
Jerry Williams, OBA # 9645  
324 S. Main Street, Suite 601  
Tulsa, OK 74103  
Telephone: 918.599.9907  
Facsimile: 918.599.8316  
[jwilliams@baloghcherrylaw.com](mailto:jwilliams@baloghcherrylaw.com)

UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF OKLAHOMA Page 3  
WIELAND V. BROADOUS; ADV. PROC. NO. 08-01006-R/CASE NO. 07-11582-R  
AGREED JOURNAL ENTRY APPROVING STIPULATION AND WAIVER OF DISCHARGE  
April 2, 2008

---

THE DEBTOR/DEFENDANT

  
\_\_\_\_\_  
TIMOTHY O. BROADOUS

DATE: 4-15-08

**IN THE DISTRICT COURT OF OKLAHOMA COUNTY  
STATE OF OKLAHOMA**

Oklahoma Department of Securities	)	
<i>ex rel.</i> Irving L. Faught,	)	
Administrator,	)	
	)	
Plaintiff.	)	
	)	
v.	)	Case No. CJ-2008-572
	)	
Timothy Broadous, individually and	)	
<i>dba</i> Embassy Ventures, Ltd. and	)	
Embassy Investments & Securities, Inc.	)	
Sheri Broadous, an individual and	)	
<i>dba</i> 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.	)	

**AFFIDAVIT OF KENNETH G. MAILLARD**

STATE OF OKLAHOMA            )  
  )        **ss:**  
COUNTY OF OKLAHOMA        )

Kenneth G. Maillard, being of lawful age and being duly sworn, deposes and states as follows:

1. I am the Director of Registrations of the Oklahoma Department of Securities (Department).

2. I have conducted an examination of the registration and exemption files of the Department pertaining to current and past registrations and exemptions from registration for the offer or sale of securities in Oklahoma.

3. Nowhere within the registrations files of the Department did I find a record of an application for the registration of securities pursuant to the Oklahoma

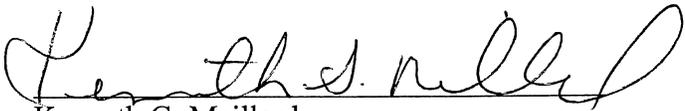


Uniform Securities Act of 2004, Okla. Stat. tit. 71, §§1-101 to 1-701 (Supp. 2003), (Act), for or on behalf of Embassy Ventures, Ltd., Embassy Investments and Securities, Inc., Timothy Broadous, Sheri Broadous, Roddy Howald, or Edward Hunt.

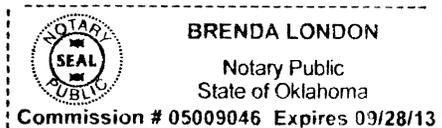
4. Nowhere within the registration files of the Department did I find a record of a registration of securities for or on behalf of Embassy Ventures, Ltd., Embassy Investments and Securities, Inc., Timothy Broadous, Sheri Broadous, Roddy Howald, or Edward Hunt, pursuant to the Act.

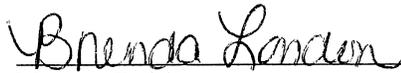
5. Nowhere within the exemption files of the Department did I find a record of a notice of intent to claim exemption from registration of securities for or on behalf of Embassy Ventures, Ltd., Embassy Investments and Securities, Inc., Timothy Broadous, Sheri Broadous, Roddy Howald, or Edward Hunt, pursuant to the Act.

FURTHER AFFIANT SAITH NOT.

  
Kenneth G. Maillard

Subscribed and sworn to before me this 1st day of October, 2009.



  
Notary Public

**IN THE DISTRICT COURT OF OKLAHOMA COUNTY  
STATE OF OKLAHOMA**

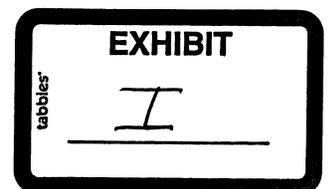
Oklahoma Department of Securities	)	
<i>ex rel.</i> Irving L. Faight,	)	
Administrator,	)	
	)	
Plaintiff.	)	
	)	
v.	)	Case No. CJ-2008-572
	)	
Timothy Broadous, individually and	)	
<i>dba</i> Embassy Ventures, Ltd. and	)	
Embassy Investments & Securities, Inc.	)	
Sheri Broadous, an individual and	)	
<i>dba</i> 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.	)	

**AFFIDAVIT OF CAROL GRUIS**

STATE OF OKLAHOMA	)	
	)	ss:
COUNTY OF OKLAHOMA	)	

Carol Gruis, being of lawful age and being duly sworn, deposes and states as follows:

1. I am the Director of Examinations and Licensing of the Oklahoma Department of Securities (Department).
2. I have conducted an examination of the registration files of the Department pertaining to current and past registered investment advisers, broker-dealers, investment adviser representatives, broker-dealer agents, and issuer agents.
3. I have also conducted an examination of the Central Registration Depository (CRD).

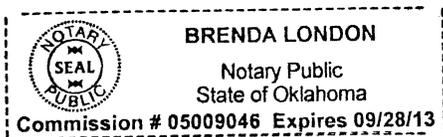


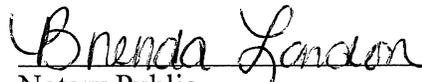
4. Nowhere within such registrations files of the Department or CRD did I find a record of registration pursuant to the Oklahoma Uniform Securities Act of 2004, Okla. Stat. tit. 71, §§1-101 to 1-701 (Supp. 2003), for Embassy Ventures, Ltd., Embassy Investments and Securities, Inc., Timothy Broadous, Sheri Broadous, Roddy Howald, or Edward Hunt.

FURTHER AFFIANT SAITH NOT.

  
\_\_\_\_\_  
Carol Gruis

Subscribed and sworn to before me this 1st day of October, 2009.



  
\_\_\_\_\_  
Notary Public