

offered to support issuance of a permanent injunction. All Defendants are therefore in default with respect to the issue of granting or denying such relief.

Based upon the Defendants' default and the evidence offered by Plaintiff, the Court concludes, for the purposes of this hearing only, that the Defendants have violated the Act and would likely continue violating the Act. Therefore, a permanent injunction should issue.

Based upon the foregoing, the Court finds, by a preponderance of the evidence, as follows:

Findings of Fact

1. Parakletos Professional Services, L.L.C. (Parakletos) is a limited liability company organized under the laws of the State of Oklahoma that provides tax preparation services. At all times material hereto, Parakletos operated under the dominion and control of Charles R. Chung.

2. At all times material hereto, Parakletos Investment Club of Parakletos Professional Services, LLC was represented by the Defendants to be a limited partnership formed under the laws of the State of Oklahoma to invest the assets of the partnership in stocks, bonds, and any other investment vehicles for the benefit of the partners.

3. At all times material hereto, Parakletos Investment Club II was represented by the Defendants to have been formed for the purpose of making investments on behalf of its participants. (Parakletos Investment Club and Parakletos Investment Club II are collectively referred to hereinafter as the "Investment Club.")

4. Charles R. Chung (Charles Chung) is an individual who, at all times material hereto, was a resident of the State of Oklahoma doing the acts complained of in his own name and in the name of Parakletos and the Investment Club.

5. J. Elaine Chung (Elaine Chung) is an individual who, at all times material hereto, was a resident of the State of Oklahoma doing the acts complained of in her own name and in the name of the Investment Club.

6. Parakletos Membership Services (Membership Services) operates as part of Parakletos providing its members with audit representation services and the right to join the Investment Club. The annual cost of membership is \$299.00 for an individual and \$399.00 for a business entity.

7. On or about May 13, 1999, Defendants began offering and selling the Interests in the Investment Club in and/or from the State of Oklahoma. This practice continued until as recently as November 30, 2000.

8. Purchases of the Interests in the Investment Club were evidenced by (a) the execution of a limited partnership agreement between the Investment Club and the Investor (the "Investment Club Agreement") or (b) the issuance of a promissory note by the Investment Club to the Investor (the "Promissory Note").

9. By the provisions of the Investment Club Agreement, the Investor was designated as a limited partner without the obligation or the right to participate in the management of the Investment Club.

10. Under the provisions of the Investment Club Agreement, Investors were guaranteed a minimum rate of return of twenty-four percent (24%) annually.

11. Under the provisions of the Investment Club Agreement, Charles Chung, as President of Parakletos, assumed the management duties over the funds invested.

12. The amount of interest payable to Investors on the Promissory Notes ranged from sixty percent (60%) per annum to seventy-nine percent (79%) per annum.

13. Certain of the Promissory Notes were secured by an assignment of the personal and business assets of Charles Chung and Elaine Chung.

14. Elaine Chung unconditionally guaranteed the obligations of the Investment Club under certain of the Promissory Notes.

15. The promotional materials distributed in connection with the Investment Club (the "Promotional Materials") described the investments as "fully secured or insured" with a minimum guaranteed return of twenty-four percent (24%) annually.

16. The Promotional Materials also stated the following: "your satisfaction guaranteed or your money back."

17. At all times material hereto, Parakletos and Charles Chung managed the funds invested by the Investors.

18. The Investors received monthly statements from the Defendants reflecting the value of their investments.

19. On or about December 26, 2000, Defendants notified Investors that the value of the Investment Club's account was significantly reduced due to a declining market in the fourth quarter of 2000 (the "December 26th Communication").

20. The December 26th Communication stated that Defendants collected \$3,275,343 to invest on behalf of the Investors and that the balance of the Investment Club account was \$132,404 as of December 22, 2000.

21. On or about December 8, 2000, certain of the Investors requested that their money be withdrawn and their participation in the Investment Club terminated. Their requests were rejected by the Defendants.

22. On or about January 3, 2001, Defendants notified Investors that the Investment Club had failed.

23. Defendant Parakletos is not, and has not been, registered under the Act as a broker-dealer.

24. Defendants Charles Chung and Elaine Chung are not, and have not been, registered under the Act as agents of a broker-dealer or issuer.

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

- a. that the investments are fully secured or insured;
- b. that the stated return on the investments is guaranteed;
- c. that the obligations of the Investment Club in connection with certain of the Promissory Notes are unconditionally guaranteed; and
- d. that the Investment Club is organized as a limited partnership under the laws of the State of Oklahoma.

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

a. that Defendants Parakletos, Charles Chung and Elaine Chung are not qualified to transact business in this state as a broker-dealer or agent;

b. that Defendants Parakletos, Charles Chung and Elaine Chung are not registered under the Act as a broker-dealer or agent;

c. that the Interests in the Investment Club are securities that are not registered under the Act;

d. that the value of the Investment Club account had declined significantly; and

e. that the value of the Investment Club account was not sufficient to cover the principal amounts of the Investors' investments or the promised rate of return at the time the Defendants accepted funds from certain of the Investors.

27. Defendants, unless enjoined, will continue to violate the Act.

Conclusions of Law

1. The Administrator of the Department, pursuant to Section 406.1 of the Act is the proper party to bring this action against the Defendants.

2. The Court has subject matter jurisdiction over this action pursuant to Section 413 of the Act.

3. In connection with their activities in the offer, sale, and purchase of securities, and the commission of other acts in this state, Defendants are subject to the jurisdiction of this Court.

4. Defendant Parakletos, by virtue of its efforts and activities in effecting transactions in securities for the account of others or for its own account, is a broker-dealer, as defined in Section 2 of the Act. Defendant Parakletos is not, and has not been registered under the Act as a broker-dealer as required by Section 201 of the Act. Defendant Parakletos has violated Section 201 of the Act.

5. Defendants Charles Chung and Elaine Chung, by virtue of their efforts and activities in representing Parakletos and/or the Investment Club in effecting or attempting to effect purchases or sales of securities are agents, as defined in Section 2 of the Act. Defendants Charles Chung and Elaine Chung are not, and have not been, registered under the Act as agents of a broker-dealer or issuer as required by Section 201 of the Act. Defendants Charles Chung and Elaine Chung have violated Section 201 of the Act.

6. Defendants offered and/or sold unregistered securities in and/or from this state in violation of Section 301 of the Act.

7. Defendants, in connection with the offer, sale or purchase of securities, directly and indirectly, made untrue statements of material facts in violation of Section 101(2) of the Act.

8. Defendants, in connection with the offer, sale or purchase of securities, and through the use of untrue statements of material facts and the omissions of material facts, engaged in an act, practice, or course of business that operated as a fraud or deceit upon the investors in violation of Section 101(3) of the Act.

9. The Court has the authority, pursuant to Section 406.1 of the Act, to enjoin Defendants from issuing, offering and/or selling any security in and/or from the state of Oklahoma and from transacting business in and/or from the state of Oklahoma as a broker-dealer or agent as defined in the Act.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that Defendants, their agents, servants, employees, assigns, and all persons acting on their behalf, under their direction and control, and/or in active concert or participation with shall be permanently enjoined from, directly or indirectly:

1. issuing, offering and/or selling any security in and/or from the state of Oklahoma, except a sale or purchase of securities by Charles R. Chung and/or J. Elaine Chung made solely for the purposes of personal investment for the benefit of themselves and/or their children, and not for or on behalf of any other individual or entity; and

2. transacting business in and/or from the state of Oklahoma as a broker-dealer or agent as defined in the Act.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this matter is set for further hearing on 6th day of August, 2001, ^{at 9:30 am} to determine restitution, disgorgement and/or other equitable relief as is just and proper in connection with this proceeding.

THIS ORDER IS ENTERED this 31st day of May, 2001.

SHANNON BUBENIK

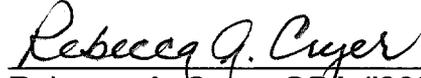
TULSA COUNTY DISTRICT COURT JUDGE

I, Sally Howe Smith, Court Clerk, for Tulsa County, Oklahoma, hereby certify that the foregoing is a true, correct and full copy of the instrument herewith set out as appears on record in the Court Clerk's Office of Tulsa County, Oklahoma, this

MAY 31 2001

By Sally Howe Smith
Deputy

Approved as to form:



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and Parakletos Investment Club II



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and Parakletos Investment Club II