

IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

FILED IN THE DISTRICT COURT
OKLAHOMA COUNTY, OKLA.

APR 4 2003

PATRICIA PRESLEY, COURT CLERK

By BEPBY

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

Plaintiff,)

v.)

Ananth S. Rajan d/b/a)
The Investors Club,)

Defendant.)

Case **03-2003-2889**

PETITION FOR PERMANENT INJUNCTION
AND OTHER EQUITABLE RELIEF

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

OVERVIEW

1. This case involves violations of the registration and anti-fraud provisions of the Oklahoma Securities Act ("Act"), Okla. Stat. tit. 71, § 1-413, 501, 701-703 (2001 & Supp. 2002). Over a six year period, Defendant received in excess of One Million Dollars (\$1,000,000) from approximately 80 investors who Defendant solicited to participate in what he falsely described as a profitable "investment club."

JURISDICTION

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

3. Pursuant to Sections 2 and 413 of the Act, Defendant, in connection with his activities and the offer, sale, and purchase of securities, is subject to the provisions of the Act. By virtue of his transaction of business by contract and otherwise and commission of other acts in this state, Defendant is subject to the jurisdiction of this Court and to service of summons within or outside of this state.

DEFENDANT

4. Ananth S. Rajan 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/or the name of "The Investors Club."

NATURE OF THE CASE

5. In or about 1994, Defendant began to offer and sell investments to the public ("Investors") through what he called an "investment club." Defendant described the investments as "plans" (the "Plans"). Participation in each Plan involved the investment of money by an Investor for a fixed period of time in return for a specified rate of interest. Each Plan varied only by maturity date and rate of interest. Defendant represented that he would use Investor money to buy and sell securities for a profit thus enabling him to pay the promised rate of return and to return the invested principal amount to the Investor.

6. Throughout the relevant time period, Defendant represented to Investors and potential Investors that he was extremely knowledgeable and very experienced in securities trading. With respect to at least two Investors, Defendant represented that he made money in the stock market whether it went up or down.

7. The Investment Club operated under the dominion and control of Defendant alone. Investors were not provided with a prospectus or other offering documents. Investors received no monthly account statements, no financial information and no securities trading information.

8. Upon receipt of money from Investors, Defendant would deposit such money in a checking account controlled by him.

9. Contemporaneous with his representations that he made money in the stock market regardless of whether the market went up or down, Defendant was suffering serious losses on the vast majority of the securities transactions he effected, including purchases of high-risk securities such as options and warrants.

10. During the relevant time period, less than 40% of Investor money was actually used by Defendant to purchase securities.

11. During the relevant time period, Defendant used the money of new Investors or additional money provided to him by existing Investors to make interest payments to other Investors whose Plans were maturing.

12. During the relevant time period, Defendant also used Investor funds to pay personal expenses including, but not limited to, his house payments, the payment of family educational expenses, personal travel expenses, utility bills, credit card payments, medical expenses, insurance premiums, payments to children, home appliance repairs, and the purchase of vehicles for his family. [See Exhibit "A" attached hereto.]

13. The scheme ultimately collapsed due to increasing interest payments payable to Investors, securities trading losses and Defendant's use of large sums of Investor money for personal expenses.

FIRST CAUSE OF ACTION

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

14. Plaintiff realleges and incorporates by reference each and every allegation contained in paragraphs 1-13 above.

15. As described in paragraphs 1-13, the Plans offered and sold by Defendant are securities as defined in Section 2 of the Act. Defendant offered and/or sold the securities in and/or from this state. Such securities were not registered under the Act. By reason of the foregoing, Defendant has violated, and unless enjoined, will continue to violate, Section 301 of the Act.

SECOND CAUSE OF ACTION

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

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

17. Defendant, 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 he had such knowledge and skill in buying and selling securities that he made a profit whether the securities markets moved up or down; and

b. that Investor money would be used to buy and sell securities.

18. Defendant, 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:

a. that the Plans are securities;

b. that the Plans were not registered as securities under the Act nor were they exempt from registration;

c. that Defendant was using Investor money to pay his personal expenses including, but not limited to, his house payments, the purchase of vehicles for his family, the payment of family educational expenses, personal travel expenses, utility bills, credit card payments, medical expenses, insurance premiums, payments to children, and home appliance repairs;

d. that Defendant was using Investor money to make interest payments to other Investors;

e. that Defendant was purchasing securities that carried a very high degree of risk; and

f. that Defendant was in fact losing money in connection with the vast majority of the securities transactions effected by him on behalf of the Investors.

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

THIRD CAUSE OF ACTION

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

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

21. Defendant, in connection with the offer, sale or purchase of securities, and through the use of the untrue statements of material facts and the omissions of material facts described in paragraphs 16 and 17 above, engaged in an act, practice, or course of business that operated as a fraud or deceit upon the Investors.

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

PRAYER FOR RELIEF

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

I.

A permanent injunction forever enjoining and restraining Defendant, his agents, servants, employees, assigns, and all those persons, directly or indirectly, acting on his behalf, under his direction and control, and/or in active concert or participation with him who receive actual notice of the injunction, and each of them from:

- a. offering and selling any security unless it is registered under the Act or the security or transaction is exempted under Section 401 of the Act or the security is a federal covered security;

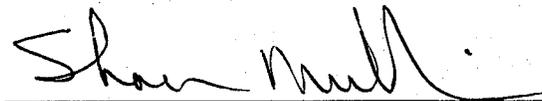
- b. making untrue statements of material facts in connection with the offer, sale, and/or purchase of securities in and/or from this state;
- c. omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, in connection with the offer, sale, and/or purchase of securities in and/or from this state; and
- d. engaging in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

II.

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

Respectfully submitted,
OKLAHOMA DEPARTMENT OF SECURITIES
Irving L. Faught, Administrator

By:

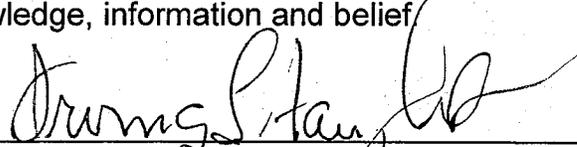


Shaun M. Mullins, OBA# 16869
Oklahoma Department of Securities
120 North Robinson, Suite 860
Oklahoma City, Oklahoma 73102
(405) 280-7700

STATE OF OKLAHOMA)
)
COUNTY OF OKLAHOMA) SS.

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

(SEAL)



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

Subscribed and sworn to before me this 4th day of April, 2003.

(NOTARIAL SEAL)



Brenda London Smith
Notary Public

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

DEPOSITS

Money from Investors	\$1,825,830
Money from Securities Accounts	597,980
Refunds/Rebates	1,445
Interest Income	1,400

\$2,426,655

DISBURSEMENTS

Advertising	\$216
Banking Expenses	1,942
Car Expenses	77,309
Coin Collection	4,735
Credit Card Payments	55,629
Donations	5,638
Entertainment	3,896
Family Members	101,472
Household Expenses	31,760
Housing	37,926
Insurance	24,791
Investing Expenses	10,134
Payments to Investors	1,245,366
Loan Payments	12,537
Loans to Others	12,097
Medical Expenses	8,329
Miscellaneous	3,491
Office Equipment & Supplies	2,431
Payroll	987
Professional Expenses	1,889
Rajan, Dr. Ananth Sundara	29,655
Payments to Securities Accounts	910,741
Taxes	540
Telephone	14,682
Travel	16,770
Utilities	9,395

\$2,624,358