

IN THE DISTRICT COURT OF TULSA COUNTY
STATE OF OKLAHOMA

DISTRICT COURT
FILED

JAN - 3 2002

SALLY HOWE SMITH, COURT CLERK
STATE OF OKLA. TULSA COUNTY

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

Plaintiff,)

v.)

Case No.

CJ 2002 00035

Robert S. Miles, COEREC, Inc., an)
Oklahoma corporation and)
Daystar Investments International, Inc.,)
f/k/a Daystar Investments, Inc., an)
Oklahoma corporation,)

DEBORAH C. SHALLCROSS

Defendants.)

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 Defendants, alleges and states as follows:

OVERVIEW

1. This case involves violations of the registration and anti-fraud provisions of the Oklahoma Securities Act (the "Act"), Okla. Stat. tit. 71, §§ 1-413, 501, 701-703 (1991 and Supp. 2000), and the standards of ethical practices set forth in 660:10-5-42 of the Rules of the Oklahoma Securities Commission and the Administrator of the Oklahoma Department of Securities ("Rules") by Robert S. Miles ("Miles"), COEREC, Inc. ("COEREC") and Daystar Investments International, Inc. ("Daystar") (collectively, the "Defendants").

2. During the course of providing tax preparation, accounting services and investment services as a registered securities agent, Miles induced numerous clients to invest large sums of money in various investment programs.

3. These investment programs were fraudulent schemes. One program organized and controlled by Miles never commenced operations but Miles retained the investors' money. Another was represented by Miles as a "safe" investment when in fact all investor money was deposited into the bank account of an entity controlled solely by Miles and used to pay his personal living expenses. Another program offered by Miles was nothing more than a "ponzi" scheme whereby previous investors were paid using the money of new investors.

4. Many of these clients were retired and/or elderly and entrusted Miles with all or a majority of their life savings. To date, most investors have received nothing in return for their investments.

JURISDICTION

5. 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 the Defendants.

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

DEFENDANTS

7. Robert S. Miles ("Miles") 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 in the name of Daystar Investments International, Inc. or COEREC, Inc.

8. COEREC, Inc. ("COEREC") is a corporation organized under the laws of the State of Oklahoma. At all times material hereto, COEREC operated under the dominion and control of Miles. On November, 18, 1994, the corporate charter of COEREC was suspended and to date has not been reinstated.

9. Daystar Investments International, Inc. f/k/a Daystar Investments, Inc. ("Daystar") is a corporation organized under the laws of the State of Oklahoma. At all times material hereto, Daystar operated under the dominion and control of Miles. On January, 29, 1999, the corporate charter of Daystar was suspended and to date has not been reinstated.

NATURE OF THE CASE

10. At all times material hereto, Miles d/b/a Robert Miles Accounting was engaged in the business of tax preparation and accounting services.

11. At all times material hereto, Miles maintained a registration as a securities agent under the Act and was affiliated with a broker-dealer registered under the Act.

12. At all times material hereto, Miles held himself out to the public and to his clients as a knowledgeable tax and investment professional. Through his tax, accounting and investment services, Miles had access to information relating to each client's financial affairs.

13. Having provided tax and investment services to many of his clients for a number of years, Miles developed a relationship of trust and confidence with those clients. Miles furthered these relationships through various religious activities and affiliations.

A. Colorado Environmental Recovery

14. In or about 1993, Miles offered and sold stock in an entity doing business as COEREC, Inc., also known as Colorado Environmental Recovery.

15. The stated purpose of this entity was to further refine and extract gold from the "tailings" or waste deposits of previous mining operations.

16. Miles sold these interests to numerous residents of Oklahoma, most of whom were tax preparation and investment clients of Miles. Investment amounts ranged from Five Thousand Dollars (\$5,000.00) to Fifteen Thousand Dollars (\$15,000.00) each.

17. Operations of COEREC were represented by Miles to produce revenues of approximately Five Hundred Thousand Dollars (\$500,000.00) per year.

18. In connection with the offer and sale of the COEREC securities, Miles omitted to state any general or specific risk factors associated with the investment. Miles omitted to state how investors' proceeds would be utilized. Miles omitted to state any regulatory factors affecting the operations of COEREC such as federal or state mining permits, environmental restrictions, or land use regulations. Miles failed to provide any basis for income projections provided to investors. Miles omitted to state whether the capitalization of the entity was sufficient to begin and/or maintain operations

for any period of time. Finally, Miles failed to provide any information regarding the knowledge or level of experience of COEREC personnel necessarily affecting the success or failure of the business.

19. The COEREC venture never materialized but Miles retained the investors' money. Repeated telephone calls and letters from investors to Miles concerning their investments were not returned or answered.

B. Daystar

20. Following the COEREC venture, Miles began to offer and sale investments in a program sponsored or administered by an entity he described as "Daystar."

21. Miles offered this investment as a "safe" alternative to each purchaser's existing investments. Most of the purchasers were tax preparation and investment clients of Miles.

22. No informational materials were provided to investors. Some investors were told the money was to be used in connection with an "offshore trading program," while others were told the investment related to hospitals in Central America with the first "returns" going to a religious institution.

23. Investors were told to make their checks payable to "Daystar." Miles then deposited each check into various accounts he established and controlled under the name "Daystar Investments International, Inc."

24. Rather than applying investor money in such a manner as to generate investment return for the investors, Miles used investor money to purchase personal

items for his family, pay personal debts, make charitable donations and purchase real estate options.

25. Most, if not all, investors have not received a return on their investments or the return of the principal amount of their investments. Miles has refused to communicate with the Daystar investors.

C. JLT Trust

26. Most recently, Miles, through his affiliation with John L. Locher ("Locher"), a resident of Tulsa, Oklahoma, offered and sold investments to numerous of his tax preparation and investment clients in another investment program described as "JLT Trust".

27. Miles represented to investors that the JLT Trust investment was "safe", provided a guaranteed rate of return, and was backed by U.S. Treasury bills.

28. Miles, as an agent of JLT Trust, received a percentage of the return of the invested money from Locher.

29. According to an indictment filed in the United States District Court for the Eastern District of California on July 23, 1999 (the "Indictment"), JLT Trust and Locher were participants in a scheme to fraudulently market securities through various trust entities. Locher and two other defendants named in the Indictment were alleged to have falsely represented that investor funds were secured by U.S. Treasury bills and notes, and that the object of the scheme was to enrich themselves through this program.

30. All three individual defendants named in the Indictment were convicted on several counts specified in the Indictment, including conspiracy to commit securities fraud and money laundering.

FIRST CAUSE OF ACTION

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

31. Plaintiff realleges and incorporates by reference each and every allegation contained in the preceding paragraphs.

32. Defendants Miles and COEREC offered and/or sold securities in and/or from this state as described in paragraphs 14 through 19. Such securities were not registered under the Act. [See Affidavit attached hereto as Exhibit A.]

33. By reason of the foregoing, Defendants Miles and COEREC, directly and indirectly, 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)

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

35. Defendants Miles and COEREC, 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) any general or specific risk factors associated with the investment;
- (b) the marketability or transferability of the COEREC securities;
- (c) a description of the COEREC securities;
- (d) the background or business experience of COEREC officers, directors, or control persons; and
- (e) the use of investor proceeds.

36. By reason of the foregoing, Defendants Miles and COEREC, 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)**

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

38. Defendants Miles and COEREC, in connection with the offer, sale or purchase of securities, and through the use of the omissions of material facts described in paragraph 35 above, engaged in an act, practice, or course of business that operated as a fraud or deceit upon the COEREC investors.

39. By reason of the foregoing, Defendants Miles and COEREC, directly and indirectly, violated, and unless enjoined, will continue to violate Section 101(3) of the Act.

FOURTH CAUSE OF ACTION

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

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

41. Defendants Miles and Daystar offered and/or sold securities in and/or from this state as described in paragraphs 20 through 25. Such securities were not registered under the Act. [See Affidavit attached hereto as Exhibit A.]

42. By reason of the foregoing, Defendants Miles and Daystar, directly and indirectly, violated, and unless enjoined, will continue to violate Section 301 of the Act.

FIFTH 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)

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

44. Defendants Miles and Daystar, 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: that the investment was a "safe" alternative to an existing investment.

45. Defendants Miles and Daystar, 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 invested money would be used to pay Miles' personal expenses;
- (b) that invested money would be used to make charitable donations on behalf of Miles personally; and
- (c) that invested money would be used to make deposits on real estate.

46. By reason of the foregoing, Defendants Miles and Daystar, directly and indirectly, violated, and unless enjoined, will continue to violate Section 101(2) of the Act.

SIXTH 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)**

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

48. Defendants Miles and Daystar, 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 44 and 45 above, engaged in an act, practice, or course of business that operated as a fraud or deceit upon the Daystar investors.

49. By reason of the foregoing, Defendants Miles and Daystar, directly and indirectly, violated, and unless enjoined, will continue to violate Section 101(3) of the Act.

SEVENTH CAUSE OF ACTION

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

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

51. Defendant Miles offered and/or sold securities issued by the JLT Trust in and/or from this state as described in paragraphs 26 through 30. Such securities were not registered under the Act. [See Affidavit attached hereto as Exhibit A.]

52. By reason of the foregoing, Defendant Miles, directly and indirectly, violated, and unless enjoined, will continue to violate Section 301 of the Act.

EIGHTH 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)

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

54. Defendant Miles, in connection with the offer, sale or purchase of the JLT Trust securities, directly and indirectly, made untrue statements of material facts, including, but not limited to, the following: that the investment was a "safe" investment.

55. Defendant Miles, 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) any general or specific risk factors associated with an investment in the JLT Trust securities;
- (a) a description of the entity and/or its business purpose;
- (b) the marketability or transferability of the JLT Trust securities;
- (c) a description of the JLT Trust securities;
- (d) the background or business experience of the JLT Trust officers, directors, trustees, or control persons; or
- (e) the use of investor proceeds.

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

NINTH 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)**

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

58. Defendant Miles, in connection with the offer, sale or purchase of the JLT Trust securities, and through the use of the untrue statements of material facts and the omissions of material facts described in paragraphs 54 and 55 above, engaged in an act, practice, or course of business that operated as a fraud or deceit upon the JLT Trust investors.

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

TENTH CAUSE OF ACTION

(Violation of 660:10-5-42 of the Rules: Standards of Ethical Practice)

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

61. Defendant Miles, by virtue of his activities as described in paragraphs 14 through 30 above, and while registered as an agent under the Act, failed to observe high standards of commercial honor and just and equitable principles of trade in violation of 660:10-5-42 of the Rules.

ELEVENTH CAUSE OF ACTION

(Violation of 660:10-5-42 of the Rules: Standards of Ethical Practice)

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

63. Defendant Miles, by virtue of his activities as described in paragraphs 14 through 30 above, and while registered as an agent under the Act, recommended to his clients the purchase of securities without having reasonable grounds for believing that the recommendation was suitable for such clients.

PRAYER FOR RELIEF

Defendants have engaged in acts and practices in violation of the Act and the Rules and have, as a result of these activities, received a substantial amount of money from numerous investors. Unless enjoined, the Defendants will continue to engage in the acts and practices set forth herein and acts and practices of similar purport and

object. A permanent injunction to issue against Defendants is necessary to prevent further violations of the Act.

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

- a. transacting business in this state as a broker-dealer, agent, investment adviser and/or investment adviser representative;
- b. offering and selling any security in this state;
- c. making untrue statements of material facts in connection with the offer, sale, and/or purchase of securities in and/or from this state;
- d. 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,
- e. engaging in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

II.

An order requiring Defendants to make restitution to any and all Investors who purchased securities from Defendants or who transferred money to Defendants for the purpose of making securities investments on their behalf;

III.

An order requiring Defendants, their officers, directors, agents, servants, employees, assigns, and all persons, directly or indirectly, acting on their behalf, under their direction and control, and/or in active concert or participation with them, to disgorge all ill-gotten gains;

IV.

An order imposing a civil penalty against Defendants in the amount of Fifty Thousand Dollars (\$50,000.00); and

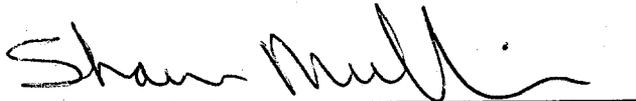
V.

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
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Oklahoma Department of Securities
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AFFIDAVIT

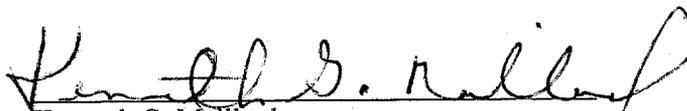
STATE OF OKLAHOMA)
) SS.
COUNTY OF OKLAHOMA)

I, Kenneth G. Maillard, Director of Registrations of the Oklahoma Department of Securities (Department), swear that I have conducted an examination of the registration and exemption files of the Department pertaining to current and past registrations for the offer or sale of securities in Oklahoma and that nowhere therein was found a record of an application for the registration of securities pursuant to Section 301 of the Oklahoma Securities Act (Act), 71 O.S. §§1-413, 501, 701-703 (Supp. 2001), for COEREC, Inc., Daystar Investments, Inc., Daystar International, Inc. or JLT Trust (Companies).

I further swear that nowhere within the registration files for the Department was found a record of a registration of securities for any of the Companies pursuant to Section 301 of the Act.

I further swear that nowhere within the exemption files for the Department was found a record of a notice of intent to claim exemption from Sections 301 and 402 of the Act for any of the Companies pursuant to any subsection of Section 401 of the Act.

(SEAL)



Kenneth G. Maillard
DIRECTOR OF REGISTRATIONS
OKLAHOMA DEPARTMENT OF SECURITIES
First National Center, Suite 860
120 North Robinson
Oklahoma City, Oklahoma 73102
(405) 280-7700

Subscribed and sworn to before me this 31st day of December, 2001.

(NOTARIAL SEAL)



NOTARY PUBLIC

My Commission Expires:

December 21, 2003

