

IN THE DISTRICT COURT OF OKLAHOMA COUNTY  
STATE OF OKLAHOMA

APR - 8 1999

PATRICIA FRESLEY, COURT CLERK  
By \_\_\_\_\_  
Deputy

Oklahoma Department of Securities	)
<u>ex rel.</u> Irving L. Faught,	)
Administrator,	)
	)
Plaintiff,	)
	)
v.	)
	)
Accelerated Benefits Corporation, a	)
Florida corporation, American Financial	)
Associates, L.L.C., an Oklahoma limited	)
liability company, William W. Romine,	)
an individual, Philip Stegall, an individual,	)
and Archie Tallant, an individual,	)
	)
Defendants.	)

CJ-99-2500-666  
Case No.

**PETITION FOR PERMANENT INJUNCTION  
AND OTHER EQUITABLE RELIEF**

Plaintiff, Oklahoma Department of Securities ex rel. Irving L. Faught, Administrator ("Administrator"), for its claims against the named Defendants (hereinafter collectively referred to as "Defendants"), alleges and states as follows:

1. The Administrator, pursuant to Section 406.1 of the Oklahoma Securities Act ("Act"), Okla. Stat. tit. 71, §§ 1-413, 501, 701-703 (1991 & Supp. 1998), is the proper party to bring this action against Defendants.

2. The Defendants have engaged and are engaging in acts and practices in violation of the Act. Unless enjoined, they will continue to engage in the acts and practices set forth herein and acts and practices of similar purport and object.

3. Pursuant to Sections 2 and 413 of the Act, Defendants, in connection with their offer or sale of securities, are all 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.

4. Defendant Accelerated Benefits Corporation ("ABC"), a Florida corporation, at all times relevant hereto, acted as a viatical settlement company and issued, offered and sold securities in this state.

5. Defendant American Financial Associates, L.L.C. ("AFA") was formed as a limited liability company under the laws of the state of Oklahoma, and at all times relevant hereto, has operated and is continuing to operate from offices in Oklahoma City, Oklahoma.

6. Defendant William W. Romine ("Romine"), an individual, was, at all times relevant hereto, the sole owner of AFA. At all times relevant hereto, AFA acted under the dominion and control of Romine. At all times relevant hereto, Romine offered and sold securities on behalf of AFA.

7. Defendant Philip Stegall ("Stegall"), an individual, at all times relevant hereto, offered and sold securities on behalf of AFA.

8. Defendant Archie Tallant ("Tallant"), an individual, at all times relevant hereto, offered and sold securities on behalf of AFA.

#### **NATURE OF CASE**

9. The Department realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 8 above.

10. A viatical settlement contract is a written agreement for the purchase of the life insurance policy of an individual ("Viator") by a viatical settlement company. Traditionally, the Viator is a person who is terminally ill and has a life expectancy of only a few years or less. However, some viatical settlement companies also offer viatical

settlement contracts to persons who are not terminally ill but may be elderly or have a limited life expectancy. A viatical settlement contract establishes the terms under which a viatical settlement company pays compensation or anything of value to the Viator, which compensation or value is less than the expected death benefit of the insurance policy, in return for the Viator's assignment, transfer, sale, devise, or bequest of the death benefit or ownership of the insurance policy to the viatical settlement company. The payment is based on the amount of the policy and the life expectancy of the Viator.

11. ABC offers and sells interests in the proceeds of life insurance policies ("Viatical Investment Contract") to investors. In this transaction, an investor purchases an interest in the proceeds of a life insurance policy to be purchased by ABC. The efforts of ABC in structuring the Viatical Investment Contract transaction include:

- a. holding investor funds in an escrow account;
- b. requiring the Viator to sign a waiver of confidentiality for the Viator's medical records;
- c. reviewing the Viator's medical history and medical records;
- d. determining if the Viator is of sound mind;
- e. estimating the life expectancy of the Viator;
- f. determining the rating of the issuing insurance company;
- g. determining the contestibility of the life insurance policy;
- h. purchasing the policy of the Viator;
- i. assuming responsibility for payment of premiums on the life insurance policy for a specified period of time;
- j. tracking the health status of the Viator;
- k. filing the death benefits claim when the Viator dies;
- l. collecting the death benefits from the insurance company; and
- m. distributing the life insurance proceeds to the investors.

12. On or about September 12, 1996, ABC and Romine entered into a "Producer Agreement" whereby ABC granted Romine permission to solicit and take orders for all programs, products and services offered by ABC, including Viatical Investment Contracts, on behalf of ABC. According to the contract between ABC and Romine, decisions as to Romine's customers' suitability shall be made solely by ABC; compensation for each sale of a Viatical Investment Contract shall be payable to AFA based on an established commission schedule set by ABC; and Romine shall immediately forward all monies collected to ABC. To aid in the marketing of its Viatical Investment Contracts, ABC prepared and distributed promotional materials.

13. Each purchaser of a Viatical Investment Contract issued by ABC is required to execute a "Purchase Request Agreement" between ABC and the purchaser. The "Purchase Request Agreement" appoints ABC to act as agent of the purchaser in the negotiation and making of any viatical settlement contract(s) or transaction(s). By the terms of the "Purchase Request Agreement," ABC will identify, qualify, and purchase, on behalf of the purchaser, death benefits of life insurance policies from people who have been diagnosed as being terminally ill and/or one or more life insurance policies or one or more portions of a life insurance policy or set of life insurance policies from people who have been diagnosed as being terminally ill and who have an estimated life expectancy of five (5) years or less, with stated profits to the purchaser based on the selected life expectancy term. Upon the closing of the transaction, the purchaser receives a certified closing statement. The interest represented by the closing statement is transferable by the purchaser.

14. A purchaser who executes the "Purchase Request Agreement" has no role in the evaluation of a Viator's medical condition or life expectancy or the actual selection of a life insurance policy.

15. The Viatical Investment Contract issued by ABC is a security as defined under Section 2 of the Act.

16. ABC is an issuer as defined under Section 2 of the Act.
17. AFA is a broker-dealer as defined under Section 2 of the Act.
18. Romine, Stegall and Tallant are broker-dealer agents of AFA as defined under Section 2 of the Act or, alternatively, Romine, Stegall and Tallant are issuer agents of ABC as defined under Section 2 of the Act.

### **FIRST CAUSE OF ACTION**

(Violation of Section 301 of the Act:  
Offer and Sale of Unregistered Securities)

19. The Department realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 18 above.

20. From at least September 1996, and continuing to the present, Defendants ABC, AFA, Romine, Stegall and Tallant offered and sold securities in this state to the public ("Investors") in the nature of Viatical Investment Contracts.

21. The securities that Defendants ABC, AFA, Romine, Stegall and Tallant offered and sold were not registered with the Department as required by Section 301 of the Act nor offered and sold pursuant to an exemption from registration pursuant to Section 401 of the Act. (See attached Exhibit A.)

22. By reason of the foregoing, Defendants ABC, AFA, Romine, Stegall and Tallant, singly and in concert, directly or indirectly, have violated, are violating, and unless enjoined, will continue to violate Section 301 of the Act.

**SECOND CAUSE OF ACTION**

(Violation of Section 201 of the Act:

Failure to Register as Broker-Dealers or Broker-Dealer Agents)

23. The Department realleges and incorporates by reference each and every allegation contained in the first cause of action.

24. Defendant AFA is not and has not been registered under the Act to transact business in this state as a broker-dealer as required by Section 201 of the Act. (See attached Exhibit B.) Defendants Romine, Stegall and Tallant are not and have not been registered under the Act to transact business in this state as broker-dealer agents as required by Section 201 of the Act. (See attached Exhibit B.)

25. By reason of the foregoing, Defendants AFA, Romine, Stegall and Tallant, singly and in concert, directly or indirectly, have violated, are violating, and unless enjoined, will continue to violate Section 201 of the Act.

**THIRD CAUSE OF ACTION**

(Violation of Section 201 of the Act:

Failure to Register as Issuer Agents or

Employing Unregistered Agents)

26. The Department realleges and incorporates by reference each and every allegation contained in the first cause of action.

27. Alternatively, if Defendant AFA is not a broker-dealer and Defendants Romine, Stegall and Tallant are not broker-dealer agents, Defendants Romine, Stegall and Tallant are issuer agents of ABC under the Act.

28. Defendants Romine, Stegall and Tallant are not and have not been registered under the Act to transact business in this state as issuer agents as required by Section 201 of the Act. (See attached Exhibit B.)

29. By reason of the foregoing, Defendants ABC, Romine, Stegall and Tallant, singly and in concert, directly or indirectly, have violated, are violating, and unless enjoined, will continue to violate Section 201 of the Act.

#### **FOURTH CAUSE OF ACTION**

(Violation of Section 101(2) of the Act:

**Making Untrue Statements of Material Fact and Omitting Material Facts In Connection  
With The Offer And Sale Of Securities)**

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

31. From at least September 1996, and continuing to the present, Defendants ABC, AFA, Romine, Stegall and Tallant, acting singly and in concert, directly and indirectly, made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading in connection with the offer and sale of securities.

32. As part of the conduct described in paragraph 31 above, Defendants ABC, AFA, Romine, Stegall and Tallant utilized the "Purchase Request Agreement" and promotional literature that represented that its Viatical Investment Contracts would provide guaranteed profits or returns when in fact, neither the time of payment nor the actual return is guaranteed. In addition, the "Purchase Request Agreement" states that the purchaser will not incur costs of any type beyond the amount tendered as the policy purchase deposit when in fact the purchaser may later have to make premium payments to prevent the policy from lapsing prior to the Viator's death.

33. As part of the conduct described in paragraph 31 above, Defendants ABC, AFA, Romine, Stegall and Tallant, acting singly and in concert, directly and indirectly, offered and sold Viatical Investment Contracts issued by ABC through the use of promotional literature, newspaper advertisements and oral and written communications that contained untrue statements of material facts, including, but not limited to, the following matters:

- a. the Viatical Investment Contract bears no risk;
- b. the Viatical Investment Contract is a tax free investment;
- c. Investors are named as direct beneficiaries on the life insurance policy of a Viator; and
- d. the Viatical Investment Contract is a one year, twelve percent (12%) guaranteed investment.

34. As part of the conduct described in paragraph 31 above, Defendants ABC, AFA, Romine, Stegall and Tallant, acting singly and in concert, directly and indirectly, offered and sold Viatical Investment Contracts issued by ABC through the use of promotional literature, newspaper advertisements and oral and written communications that omitted to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, the following matters:

- a. the risk factors involved;
- b. an explanation of how Investor returns are calculated and in what sense the returns are guaranteed; and
- c. the impact on the Investor's rate of return if premium payments are not maintained or if the Viator lives beyond his estimated life expectancy.

35. By reason of the foregoing, Defendants ABC, AFA, Romine, Stegall and Tallant, singly and in concert, directly and indirectly, have violated, are violating, and unless enjoined, will continue to violate Section 101(2) of the Act.

**FIFTH 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)

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

37. From at least September 1996, and continuing to the present, Defendants ABC, AFA, Romine, Stegall and Tallant, acting singly and in concert, directly and indirectly, engaged in an act, practice, or course of business which operated as a fraud or deceit including, but not limited to, the acts, practices, or course of business set forth in paragraphs 32, 33 and 34 above, in connection with the offer and sale of securities.

38. By reason of the foregoing, Defendants ABC, AFA, Romine, Stegall and Tallant, singly and in concert, directly and indirectly, have violated, are violating, 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 relief as follows:

1. A temporary injunction enjoining the Defendants, their agents, servants, employees, assigns, attorneys, and those persons in active concert or participation with them who receive actual notice of the temporary injunction, directly or indirectly, from:

a. the offer or sale of securities in or from this state and from directing other natural persons, corporations or other business entities acting on

their behalf to offer or sell securities in or from this state unless and until such securities are registered under the Act;

b. acting as broker-dealers or agents, or from employing agents, in connection with the offer or sale of securities in or from this state unless Defendants AFA, Romine, Stegall and Tallant are appropriately registered as broker-dealers or agents pursuant to the Act;

c. making any untrue statements of material fact or omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in connection with the offer, sale, and/or purchase of any security in or from this state;

d. engaging in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person in connection with the offer, sale, and/or purchase of any security in for from this state;

2. A permanent injunction forever enjoining and restraining Defendants, and each of them, from the offer or sale of securities in or from this state and from directing other natural persons, corporations or other business entities acting on their behalf to offer or sell securities in or from this state unless and until the securities are registered pursuant to the Act;

3. A permanent injunction forever enjoining and restraining Defendants from acting as broker-dealers or agents, or from employing agents, in connection with the offer or sale of securities in or from this state unless Defendants AFA, Romine, Stegall and Tallant are appropriately registered as broker-dealers or agents pursuant to the Act;

4. A permanent injunction forever enjoining and restraining Defendants, and each of them from, directly or indirectly, making any untrue statements of material fact or omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in connection with the offer, sale, and/or purchase of any security in or from this state;

5. A permanent injunction forever enjoining and restraining Defendants, and each of them from, directly or indirectly, engaging in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person in connection with the offer, sale and/or purchase of any security in or from this state;

6. An order revoking Defendants ability to rely on exemptions from registration under the Act;

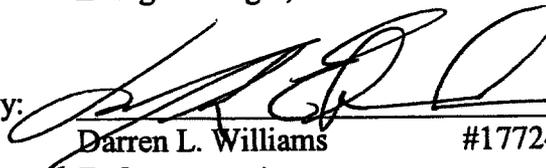
7. An order requiring Defendants to make restitution to any and all investors who purchased securities from Defendants;

8. An order requiring Defendant ABC to pay a civil monetary penalty in the amount of Fifty Thousand Dollars (\$50,000), Defendant AFA to pay a civil monetary penalty in the amount of Fifty Thousand Dollars (\$50,000), Defendant Romine to pay a civil monetary penalty in the amount of Twenty-five Thousand Dollars (\$25,000), Defendant Stegall to pay a civil monetary penalty in the amount of Twenty-five Thousand Dollars (\$25,000) and Defendant Tallant to pay a civil monetary penalty in the amount of Twenty-five Thousand Dollars (\$25,000); and

9. Such other legal or 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:   
Darren L. Williams #17724

Enforcement Attorney

Mark Edmondson #11823

Enforcement Attorney

Oklahoma Department of Securities

120 North Robinson, Suite 860

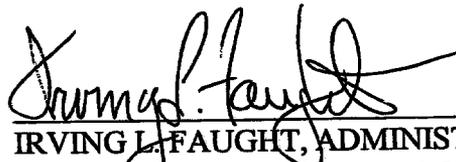
Oklahoma City, Oklahoma 73102

(405) 280-7700

STATE OF OKLAHOMA )  
 )  
 ) SS.  
COUNTY OF OKLAHOMA )

Irving L. 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 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.

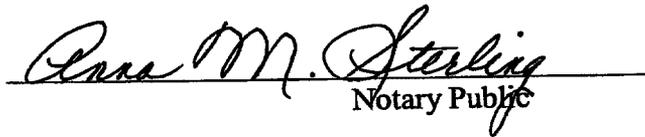
(SEAL)



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 8<sup>th</sup> day of April, 1999.

(NOTARIAL SEAL)



Notary Public

My Commission Expires:

Dec. 21, 1999

AFFIDAVIT

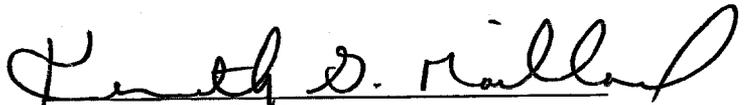
STATE OF OKLAHOMA     )  
  ) SS.  
COUNTY OF OKLAHOMA    )

I, Kenneth G. Maillard, Director of Registrations of the Oklahoma Department of Securities (Department), swear that I have caused the 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 filed pursuant to Section 301 of the Oklahoma Securities Act (Act), Okla. Stat. tit. 71 §§1-413, 501, 701-703 (1991 & Supp. 1998) for American Financial Associates, L.L.C., Accelerated Benefits Corporation, American Title Company of Orlando, American Title Company, William W. Romine, Archie Tallant or Philip Stegall.

I further swear that nowhere within the registration files for the Department was found a record of a registration of securities for American Financial Associates, L.L.C., Accelerated Benefits Corporation, American Title Company of Orlando, American Title Company, William W. Romine, Archie Tallant or Philip Stegall 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 filed for American Financial Associates, L.L.C., Accelerated Benefits Corporation, American Title Company of Orlando, American Title Company, William W. Romine, Archie Tallant or Philip Stegal 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 8<sup>th</sup> day of April, 1999.

(NOTARIAL SEAL)

  
NOTARY PUBLIC

My Commission Expires:

Sept 18, 2000

STATE OF OKLAHOMA  
DEPARTMENT OF SECURITIES  
First National Center, Suite 860  
120 North Robinson  
Oklahoma City, Oklahoma 73102

AFFIDAVIT

I, L.D. Johnson, Chief of Licensing of the Oklahoma Department of Securities, do hereby swear that I have caused to be examined the registration files of the Oklahoma Department of Securities pertaining to current and past registered broker-dealers and agents in Oklahoma and that nowhere therein was found a record of an application to register as a broker-dealer or agent filed pursuant to Section 202 of the Oklahoma Securities Act (Act) for American Financial Associates, L.L.C., William W. Romine, Philip Stegall or Archie Tallant.

I further swear that I have caused to be examined the registration files of the Oklahoma Department of Securities pertaining to current and past registered broker-dealers under the Act and that nowhere therein was found a record of the registration of American Financial Associates, L.L.C. as a broker-dealer under the Act.

I further swear that I have caused to be examined the registration files of the Oklahoma Department of Securities pertaining to current and past registered agents under the Act and that nowhere therein was found a record of the registration of William W. Romine, Philip Stegall or Archie Tallant as a broker-dealer or issuer agent under the Act.

(SEAL)

  
L.D. JOHNSON, CHIEF OF LICENSING of the  
OKLAHOMA DEPARTMENT OF SECURITIES  
First National Center, Suite 860  
120 North Robinson  
Oklahoma City, Oklahoma 73102  
Telephone (405) 280-7700

Subscribed and sworn to before me this 8<sup>th</sup> day of April, 1999.

(NOTARIAL SEAL)

  
Brenda S. London  
Notary Public

My Commission Expires:

August 26, 2001