



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
CHARLES RUSSELL WILLIAMS II,) Case No. AP-15-18
CRD No. 467541,)
)
Respondent.)

CONSENT ORDER

SUMMARY OF THE ENFORCEMENT SECTION’S ALLEGATIONS

1. The Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“Enforcement Section”), through Chief Counsel Tyler B. McCormick, has alleged that Charles Russell Williams II (“Respondent” or “Williams”) in connection with the offer, sale, or purchase of a security, 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, and engaged in an act, practice, or course of business that would operate as a fraud or deceit in violation of Section 409.5-501, RSMo. (Cum. Supp. 2013),¹ and that this constitutes grounds to issue an order pursuant to Section 409.6-604.
2. Respondent and the Enforcement Section desire to settle the allegations and the matters raised by the Enforcement Section relating to the Respondent’s alleged violations of Section 409.5-501.

CONSENT TO JURISDICTION

3. Respondent and the Enforcement Section stipulate and agree that the Missouri Commissioner of Securities (“Commissioner”) has jurisdiction over Respondent and these matters pursuant to the Missouri Securities Act of 2003, Chapter 409, *et seq.*
4. Respondent and the Enforcement Section stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), which provides:

¹ Unless otherwise noted, all statutory references are to the 2013 cumulative supplement to the Revised Statutes of Missouri.

“The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act.”

WAIVER AND EXCEPTION

5. Respondent waives Respondent’s rights to a hearing with respect to this matter.
6. Respondent waives any rights that Respondent may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondent specifically forever releases and holds harmless the Missouri Office of Secretary of State, Secretary of State, Commissioner, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
7. Respondent stipulates and agrees with the Enforcement Section that, should the facts contained herein prove to be false or incomplete, the Enforcement Section reserves the right to pursue any and all legal or administrative remedies at its disposal.

CONSENT TO COMMISSIONER’S ORDER

8. Respondent and the Enforcement Section stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
9. Respondent agrees not to take any action or to make or permit to be made any public statement creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondent’s (a) testimonial obligations; (b) right to take legal or factual positions in defense of litigation or in defense of other legal proceedings in which the Commissioner is not a party; or (c) right to make public statements that are factual.
10. Respondent agrees that Respondent is not the prevailing party in this action since the parties have reached a good faith settlement.
11. Respondent consents to the Commissioner’s Findings of Fact, Conclusions of Law, and Order as set forth below solely for the purposes of resolving this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.

COMMISSIONER’S FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

I. FINDINGS OF FACT

A. Respondent and Related Parties

12. Williams is a 76-year-old Missouri resident with an address of 542 Kingscross Ln, St. Louis, MO 63141. Williams was registered with the Securities and Exchange

Commission (“SEC”) as an investment adviser from February 3, 1983 through April 29, 1996, with Central Registration Depository (“CRD”) number 467541.

13. C.R. Williams, Incorporated (“C.R. Williams”), is a Missouri corporation located in St. Louis, Missouri, and was registered with the SEC as an investment adviser from November 27, 1995, through January 18, 2008, with CRD number 106443. Williams was the majority shareholder, Chief Executive Officer, and President of C.R. Williams.
14. At all times relevant to this matter, Williams was not registered with the State of Missouri as investment adviser, investment adviser representative, broker-dealer, broker-dealer agent, and/or issuer agent.

B. Enforcement Section Investigation

15. In or around 2000, Williams through C.R. Williams established C.R. Williams Investment Fund, LLC and C.R. Williams Tax Advantaged Investment Fund, LLC with the promise that the funds would be invested in stocks and bonds, and held for the benefit of the investors.
16. On March 6, 2008, the SEC barred Williams from association with an investment adviser, and revoked the investment adviser registration of C.R. Williams.
17. Williams and C.R. Williams continued to accept investments into C.R. Williams Investment Fund, LLC and C.R. Williams Tax Advantaged Investment Fund, LLC until 2012 from existing account holders.
18. On or around June 4, 2008, Williams mailed a fraudulent portfolio valuation from C.R. Williams to an investor. The portfolio valuation claimed that the C.R. Williams Investment Fund, LLC, had a market value of \$534,862.86. Williams also falsely claimed that assets of C.R. Williams Investment Fund, LLC were invested in 18 corporations.
19. On or around June 4, 2008, the C.R. Williams Investment Fund, LLC did not have the market value or investments claimed by Williams.
20. On or around September 19, 2012, Williams mailed a fraudulent portfolio valuation for C.R. Williams Tax Advantaged Investment Fund, LLC from C.R. Williams to an investor. The portfolio valuation claimed that the fund had a market value of \$734,060.19 based upon various investments.
21. On or around September 19, 2012, the C.R. Williams Tax Advantaged Investment Fund, LLC did not have the market value or investments claimed by Williams.
22. At least 11 individuals provided Williams in excess of \$750,000 to invest in C.R. Williams Investment Fund, LLC and C.R. Williams Tax Advantaged Investment Fund, LLC.

23. Williams used investor funds provided to Williams to invest in C.R. Williams Investment Fund, LLC and C.R. Williams Tax Advantaged Investment Fund, LLC to, among other things:
 - a. pay for office rental and vehicles;
 - b. pay the mortgage on Williams' residence;
 - c. draft checks payable to himself; and
 - d. pay other personal expenses.
24. On or around February 23, 2015, Williams pleaded guilty to wire fraud and mail fraud relating to Williams' use of the mails and interstate wires to execute a scheme to defraud investors of their funds between on or about November 1, 2007 and January 31, 2013. See *USA v. Charles Russell Williams II*, Case No. 4:13-cr-00137-HEA (United States District Court for the Eastern District of Missouri, filed February 23, 2015). On or around June 23, 2015, Williams was ordered to pay restitution in the amount of \$753,144.66.

II. CONCLUSIONS OF LAW

25. The Commissioner concludes that Respondent violated Section 409.5-501, when, in connection with the offer, sale or purchase of a security as described above, Williams, on behalf of C.R. Williams, omitted to state to investors, 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, promising investors that their money would be maintained in the C.R. Williams Investment Fund, LLC, and C.R. Williams Tax Advantaged Investment Fund, LLC. This statement, in light of the circumstances under which it was made, was misleading because Williams, on behalf of C.R. Williams, misrepresented or omitted to disclose the following material fact that investment funds would be commingled with Williams' personal and/or business funds and used to make withdrawals.
26. The Commissioner further concludes that Respondent violated Section 409.5-501, when, in connection with the offer, sale or purchase of a security as described above, Williams, on behalf of C.R. Williams, engaged in an act, practice, or course of business that would operate as a fraud or deceit upon investors, by, among other things:
 - a. using investor funds to make withdrawals and pay Williams' personal expenses, as described above;
 - b. lulling investors in order to avoid or delay detection by:
 - i. mailing a fraudulent portfolio valuation on or around June 4, 2008, and representing to investors that C.R. Williams Investment Fund, LLC, had a

market value of \$534,862.86 and was invested in 18 corporations, when this was not true; and

- ii. mailing a fraudulent portfolio valuation on or around September 19, 2012, claiming that based upon various investments, C.R. Williams Tax Advantaged Investment Fund, LLC, had a market value of \$734,060.19, when this was not true.
27. Respondent's conduct in violation of Section 409.5-501, constitutes engaging in an illegal act, practice, or course of business, and such conduct is, therefore, subject to the Commissioner's authority under Section 409.6-604.
 28. The Commissioner, after consideration of the stipulations set forth above and on consent of the Respondent and the Division, finds and concludes that the Commissioner has jurisdiction over the Respondent in this matter and that the following order is in the public interest, necessary for the protection of public investors, and consistent with the purposes intended by Chapter 409, RSMo.

III. ORDER

NOW THEREFORE, it is hereby ordered that:

1. Respondent, his agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this Order are permanently enjoined and restrained from violating or materially aiding in any violation of Section 409.5-501;
2. Respondent is hereby **BARRED** from registering as a broker-dealer, investment adviser, broker-dealer agent or investment adviser representative in the State of Missouri;
3. Respondent shall pay restitution in the amount of \$753,144.66, as ordered by the United States District Court for the Eastern District of Missouri after entry of a guilty plea by Respondent; and
4. Respondent shall pay a civil penalty in the amount of \$10,000 for multiple violations of Section 409.5-501. Respondent's payment of this amount is hereby suspended, but shall become due immediately upon the sooner of (1) Respondent's noncompliance with the terms of this Consent Order or (2) a finding, after notice and opportunity for a hearing, by the Commissioner or a court of competent jurisdiction that Respondent has violated the Missouri Securities Act. Such immediately due payment shall be in addition to all other penalties then available under the law. Upon Respondent's satisfaction of the restitution amount in Paragraph 3, above, the suspended payment described in this paragraph shall be fully and finally waived.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 15th DAY OF July 2016.

JASON KANDER
SECRETARY OF STATE

Andrew M. Hartnett

ANDREW M. HARTNETT
COMMISSIONER OF SECURITIES

Consented to by:

THE ENFORCEMENT SECTION OF THE
MISSOURI SECURITIES DIVISION

Tyler B. McCormick

Tyler B. McCormick
Chief Counsel

RESPONDENT

CR Williams

Charles Russell Williams II