



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)	
)	
CHARLES RUSSELL WILLIAMS II,)	
CRD No. 467541,)	
)	
)	Case No. AP-15-18
)	
Serve:)	
Charles Russell Williams II)	
542 Kingscross Ln)	
St. Louis, MO 63141)	

**ORDER TO CEASE AND DESIST AND ORDER TO SHOW CAUSE WHY
RESTITUTION, CIVIL PENALTIES, AND COSTS SHOULD NOT BE IMPOSED**

On April 10, 2015, the Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“Enforcement Section”), through Enforcement Counsel Tyler B. McCormick, submitted a Petition for Order to Cease and Desist and Order to Show Cause why Restitution, Civil Penalties, and Costs Should not be Imposed (“Petition”). After reviewing the Petition, the Commissioner issues the following order:

I. ALLEGATIONS OF FACT

The Petition alleges the following facts:

A. Respondent and Related Parties

1. Charles Russell Williams II (“Williams”) is a 76-year-old Missouri resident with a last known 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.
2. 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.

3. As used herein, the term “Respondent” refers to Williams.
4. At all times relevant to this matter, Williams was not registered with the State of Missouri as an investment adviser, investment adviser representative, broker-dealer, broker-dealer agent, and/or issuer agent.

B. Enforcement Section Investigation

5. 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.
6. On March 6, 2008, the SEC barred Williams from association with an investment adviser, and revoked the investment adviser registration of C.R. Williams.
7. 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.
8. On or around June 4, 2008, Williams mailed a fraudulent portfolio valuation from C.R. Williams to an investor. The portfolio valuation claimed that 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.
9. On or around June 4, 2008, C.R. Williams Investment Fund, LLC did not have the market value or investments claimed by Williams.
10. 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.
11. On or around September 19, 2012, C.R. Williams Tax Advantaged Investment Fund, LLC did not have the market value or investments claimed by Williams.
12. 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.
13. 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.
14. 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).¹

II. COMMISSIONER'S DETERMINATION AND FINDING

Multiple Violations of Making an Untrue Statement, Omitting to State Material Facts or Engaging in An Act, Practice, or Course of Business that Would Operate as a Fraud or Deceit upon Another Person in Connection with the Offer or Sale of a Security

15. The **COMMISSIONER DETERMINES** that 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 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.
16. The **COMMISSIONER FURTHER DETERMINES** that 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/or

¹ The Petition attached copies of the indictment and guilty plea agreement.

- 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.
17. Respondent 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 upon another person, in violation of Section 409.5-501, RSMo. (Cum. Supp. 2013).²
 18. 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.
 19. This order is in the public interest and is consistent with the purposes of the Missouri Securities Act of 2003. See Section 409.6-605(b).

III. ORDER

NOW, THEREFORE, it is hereby ordered that 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 be prohibited from violating or materially aiding in any violation of:

- A. Section 409.5-501, by, in connection with the offer or sale of securities, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading or engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

IV. STATEMENT

Pursuant to Section 409.6-604(d), the Commissioner hereby states that he will determine whether to grant the Enforcement Section's requests for:

- A. a \$10,000 civil penalty against Respondent for more than one violation of Section 409.5-501;
- B. An order to pay restitution for any loss, including the amount of any actual damages that may have been caused by the conduct, and interest at the rate of 8% per year from the date of the violation causing the loss or disgorge any profits arising from the violation of Section 409.5-501, in a final order, unless Respondent requests a hearing and show cause why this restitution or disgorgement should not be imposed; and

² Unless otherwise noted, all statutory references are to the 2013 cumulative supplement to the Revised Statutes of Missouri.

- C. An order against Respondent to pay the costs of the investigation in this proceeding, after a review of evidence of the amount submitted by the Enforcement Section.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS TWENTY-SECOND DAY OF APRIL, 2015.



JASON KANDER
SECRETARY OF STATE

Andrew M. Hartnett

ANDREW M. HARTNETT
COMMISSIONER OF SECURITIES



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)

CHARLES RUSSELL WILLIAMS II,)
CRD No. 467541,)

Respondent.)

Case No. AP-15-18)

Serve: Charles Russell Williams II)
542 Kingscross Ln)
St. Louis, MO 63141)

NOTICE

TO: Respondent and any unnamed representatives aggrieved by this Order:

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to Section 409.6-604(b), and 15 CSR 30-55.020.

Within fifteen (15) days after receipt of a request in a record from a person or persons subject to this order, the Commissioner will schedule this matter for a hearing.

A request for a hearing must be mailed or delivered, in writing, to:

Andrew M. Hartnett, Commissioner of Securities
Office of the Secretary of State, Missouri
600 West Main Street, Room 229
Jefferson City, Missouri, 65102

CERTIFICATE OF SERVICE

I hereby certify that on this 22nd day of April, 2015, a copy of the foregoing Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, and Costs Should Not Be Imposed in the above styled case was **mailed by certified U.S. mail to:**

Charles Russell Williams II
542 Kingscross Ln
St. Louis, MO 63141



Marsha Presley
Securities Office Manager