Case Over $7.2M Unregistered Petro America Stock Begins

BILL DRAPER, Associated Press

KANSAS CITY, Mo. (AP) — A Kansas man accused of bilking investors — many of them poor and elderly church members — with promises that his Missouri-based oil and mining company would make them rich beyond their dreams is scheduled for trial this week after a federal judge denied his requests for a new attorney.

Isreal Owen Hawkins, 57, of Kansas City, Kan., founded Petro America Corp. in 2007 in Kansas and a year later began selling stock that prosecutors allege was not worth the paper it was printed on. By the time he was indicted by a grand jury in October 2010, the company had sold $7.2 million in unregistered Petro America stock.

According to court documents, more than 9,000 victims invested in the company, but instead of using the money for business purposes, Hawkins and co-conspirators withdrew the money and bought a house, luxury cars, a $5,700 fur coat, a $37,000 boat and $5,200 worth of Louis Vuitton luggage among other things.

The trial for Hawkins and four others involved in the company — Teresa Brown, Johnny Heurung, William Miller and Martin Roper — begins Wednesday and is expected to last two to three weeks. The government claims Hawkins and others sold unregistered shares of Petro stock, were not licensed to sell stock, and ignored cease and desist orders issued in Missouri and Kansas. Most of those who invested in Petro stock were not qualified to do so, prosecutors said.

Nine other defendants already have pleaded guilty to conspiracy and are awaiting sentencing.

On Tuesday, a federal judge denied a motion by Hawkins to delay the trial until he could get a new attorney. Hawkins claimed his public defender, Stephen Moss, has "repeatedly refused to hire consultants with experience or expertise in civil or criminal securities fraud laws, nor has Mr. Moss developed a legal team that specialize in the area of securities fraud or white collar crime."

In 2010, Hawkins touted Petro America to have $284 billion in assets, which would have made the company the second-largest in the U.S., ahead of Wal-Mart, Microsoft and Apple despite existing only three years, prosecutors said.

Investors, many of whom were recruited by ministers of their churches who belonged to a group called the Minister's Alliance, were told that for a small amount they could all be millionaires once the company went public.

But instead, investigators said the company had no assets and its interests in gold mines and oil trading operations were worthless.

On top of that, Hawkins "gifted" so many shares of Petro stock that he couldn't tell a Louisiana attorney who was representing an investor how many — within 2 billion shares — had been given away, prosecutors said.

Hawkins, who called Petro America "The People's Company," told investors his goal was to win a Nobel Prize for creating such massive wealth. Though Petro stock was sold at the rate of 100,000 shares per $100 invested, or one-tenth of a cent each, Hawkins told them it would open at $24 per share, once it went public.

That day never came, despite promises every week — for more than two years — that a public offering was imminent.

The plea agreements of several defendants describe a scheme in which Hawkins and his top agents literally printed money by "gifting" shares to participants who sold them to others and gave Hawkins a cut.

In one case, prosecutors said Hawkins took investors to a printing company where backdated certificates for millions of shares were printed up, signed by Hawkins and sold on the spot.

Many of the investors were recruited through their churches using religious language claiming the company wanted to offer congregation members a "once-in-a-lifetime" opportunity to "share the blessing," prosecutors said. The indictment says church leaders were given money to encourage members to invest in the company.

Investors, many of whom were becoming disillusioned as promises went unfulfilled, were repeatedly reassured during high-energy weekly meetings run by Hawkins and his co-defendants that Petro America was for real and it was on the verge of making them big money.

But as investors became more upset, the Minister's Alliance began acting as security at shareholder meetings, prosecutors said. Hawkins bought each member a white fedora hat, which they wore to meetings where they helped Hawkins make a grand entrance by walking in ahead of him.

Prosecutors said Hawkins and the "White Hat Guys," as they called themselves, went to an upscale restaurant on Kansas City's Country Club Plaza at least 25 times after weekly conference calls, after which many of them went to an area night club "for music and cocktails, where Hawkins would frequently play chess."

Prior to founding Petro America, Hawkins lived in public housing, had filed for bankruptcy multiple times and had not filed a tax return since the 1990s, prosecutors said, adding that very few of the other defendants had ever held jobs paying substantial salaries.

Source URL (retrieved on *12/06/2013 - 9:47am*):

http://www.chem.info/news/2013/04/case-over-72m-unregistered-petro-america-stock-begins?qt-recent_content=0