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# United States District Court

## WESTERN DISTRICT OF MISSOURI

UNITED STATES OF AMERICA

v.

ISREAL OWEN HAWKINS,  
[DOB: 07/26/55]

**COUNTS ONE: SECURITIES FRAUD**

15 U.S.C. §§ 77e(a), 77e(c) & 77x; & 18 U.S.C. § 2  
NMT 5 Years Imprisonment  
NMT \$10,000 Fine  
NMT 3 Years Supervised Release  
\$100 Mandatory Special Assessment  
Class D Felony

**COUNT TWO: AGGRAVATED CURRENCY  
STRUCTURING**

31 U.S.C. §§ 5324(a) & (d)(2); & 18 U.S.C. § 2  
NMT 10 Years Imprisonment  
NMT \$500,000 Fine  
NMT 3 Years Supervised Release  
\$100 Mandatory Special Assessment  
Class C Felony

**CRIMINAL COMPLAINT**

**Case Number: 10-0171SWH-01**

I, the undersigned complainant, being duly sworn, state the following is true and correct to the best of my knowledge and belief:

**COUNT ONE: SALE OF UNREGISTERED SECURITIES**

Between on or about November 12, 2008 and May 12, 2010, within the Western District of Missouri and elsewhere, the defendant, ISREAL OWEN HAWKINS, directly or indirectly, willfully and knowingly used the means and instruments of transportation and communication in interstate commerce and of the mails to sell, offer to sell, and to aid and abet the sale of a security, as defined in Title 15 of the United States Code, as to which no registration statement was in effect or filed, that is: shares of common stock in Petro America Corporation, which security was not exempt from registration, and the defendant knew the security could not be sold or offered for sale without a registration statement being filed with the Securities and Exchange Commission or being declared effective by the Securities and Exchange Commission, and further knew that no registration statement was in effect for the offers and sales of the security at the time of the offers for sale and sales; in violation of Title 15, United States Code, Sections 77e(a), 77e(c), 77x and Title 18, United States Code, Section 2.

**COUNT TWO: AGGRAVATED CURRENCY STRUCTURING**

From March 16, 2010 up to and including May 1, 2010, in the Western District of Missouri and elsewhere, the defendant, ISREAL OWEN HAWKINS, for the purpose of evading the reporting requirements of Title 31 United States Code, Sections 5313 (a) and 5325 and any regulation prescribed under any such section, the reporting or recordkeeping requirements imposed by any order issued under Title 31, United States Code, Section 5326, and the recordkeeping requirements imposed by any regulation prescribed under section 21 of the Federal Deposit Insurance Act or section 123 of Public Law 91-508, as part of a pattern of illegal activity involving more than \$100,000 in a 12-month period, knowingly and willfully structured and assisted in structuring, and attempted to structure and assist in structuring, and caused and aided and abetted the structuring, of the following transactions with one or more domestic financial institutions, that is:

Twenty-seven cash withdrawals totaling \$180,000, ranging from \$1500 to \$9500, all in amounts under \$10,000.01, from Mazuma Credit Union account 193566 in the name of Petro America Financial Services, which account is located in Kansas City, Western District of Missouri, with all monies originating from a \$180,000 March 16, 2010 wire transfer from J.P. Morgan Chase account 794488569 in the name Windsong Ventures;

in violation of Title 31, United States Code, Sections 5324(a)(3) and (d)(2), and Title 18, United States Code, Section 2.

I further state that I am a Special Agent with the U.S. Treasury Department, IRS-CI, and that this complaint is based on the following facts:

(See attached Affidavit)

Continued on the attached sheet and made a part hereof:  Yes  No.

/s/ Devin Fields

SA Devin Fields

U.S. Department of Treasury, IRS-CI

Sworn to before me and subscribed in my presence,

October 26, 2010

Date

at

Kansas City, Missouri

City and State

Sarah W. Hays

United States Magistrate Judge

Name and Title of Judicial Officer

/s/ SARAH W. HAYS

Signature of Judicial Officer

STATE OF MISSOURI     )  
  ) ss:  
COUNTY OF JACKSON    )

Complaint # 10-0171SWH-01

**AFFIDAVIT**

I, Devin Fields, being duly sworn, hereby depose and say:

1. I have been a Special Agent with the United States Department of the Treasury since June 2005. I am assigned to the IRS-CI, St. Louis Field Office, and my post of duty is Kansas City, Missouri. I investigate criminal violations of the Internal Revenue Code (Title 26, United States Code), the Money Laundering Control Act (Title 18), the Bank Secrecy Act (Title 31), and related offenses. I completed training at the National Criminal Investigation Training Academy at the Federal Law Enforcement Training Center in Glynco, Georgia. I completed the 11-week Criminal Investigator Training Program and the 16-week Special Agent Basic Training Program conducted by IRS's National Criminal Investigation Training Academy. I have received extensive training in conducting financial investigations that involve fraud and currency structuring.

2. The information in this affidavit has become known to me through my personal investigation and through communications and reports from other agents with knowledge of this investigation from the United States IRS-CID, United States Postal Inspection Service, Missouri Securities Commissioner, and Securities and Exchange Commission.

3. This affidavit is made in support of a complaint against ISREAL OWEN HAWKINS (“HAWKINS”) (DOB: 07/26/55) for securities fraud in violation of Title 15, United States Code, Sections 77e(a), 77e(c) and 77x, and Title 18, United States Code, Section 2; and aggravated currency structuring in violation of Title 31, United States Code, Sections 5324(a)(3), (d)(2) and Title 18, United States Code, Section 2.

4. This affidavit will detail the results of an investigation into an alleged affinity scam, which is also a modified pump and dump scheme, in which Hawkins and others, referred to as Unindicted Co-Conspirators (UCC#1 to UCC#7), sold unregistered securities to investors. The affidavit will next detail how Hawkins and others made false, fraudulent, and misleading representations about the nature of the business entities they sold to investors. Finally, the affidavit will detail how instead of using the money obtained from the sale of the unregistered securities for legitimate business-related purposes, Hawkins and his associates used this money for their own personal use and benefit.

#### **APPLICABLE LAW**

5. Section 5 of the Securities Act of 1933 (The Act) requires registration of transactions or offerings of securities. Violations are criminal under Title 15, United States Code, Section 77e(a) and 77e(c), which specifically prohibit the offer or sale of a security through the use of a jurisdictional means unless the security is registered or exempt from registration. The Act bars the sales of such securities by any “person, directly or indirectly,” when no registration statement is in effect.

6. Section 4(1) of The Act exempts transactions by any person other than an issuer, underwriter or dealer. Hawkins is an underwriter by the definition found at Section 2(a)(11) of the Act, which defines underwriter as “any person who has purchased from an issuer with a view to, or offers or sells for an issuer in connection with, the distribution of any security, or participates or has a direct or indirect participation in any such undertaking ... the term “issuer” shall include, in addition to an issuer, any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control of the issuer.

7. Title 31, United States Code, Section 5313, and 31 C. F. R. Part 103 of the Bank

Secrecy Act (BSA), requires any financial institution that engages with a customer in a currency transaction (i.e., a deposit or withdrawal) in excess of \$10,000 to report the transaction to the FinCEN, using FinCEN Form 104, Currency Transaction Report (“CTR”). These regulations also require that multiple transactions be treated as a single transaction if the financial institution has knowledge that they are conducted by, or on behalf of, the same person, and they result in either currency received or disbursed by the financial institution totaling more than \$10,000 during any one business day.

8. CTRs are often used by law enforcement to uncover a wide variety of illegal activities including narcotics trafficking and money laundering. Many individuals involved in these illegal activities are aware of such reporting requirements and take active steps to cause financial institutions to fail to file CTRs. These active steps are often referred to as “smurfing” or “structuring” and involve making multiple cash deposits, in amounts less than \$10,000.01, to multiple banks and/or branches of the same bank on the same day or consecutive days or within a few days of each other. Structuring is prohibited by Title 31, United States Code, Section 5324(a)(1) and (3). Structuring in and of itself is a five-year felony offense pursuant to 18 United States Code Section 5324(d)(1), and does not require proof of any other offense (as, for example, money laundering requires proof of a specified unlawful activity). Aggravated structuring under (d)(2) increases the penalties to a Class C felony with a maximum \$500,000 fine and 10 years in prison.

9. Title 31, United States Code, Section 5324(a)(1), prohibits a person from causing or attempting to cause a financial institution to fail to file a report required by section 5313(a) or 5325. This offense is closely related to structuring, with the same criminal punishment and asset forfeiture

ramifications. Whether an offense arises under section 5324(a)(1) or (a)(3) turns upon whether a financial institution had a duty to file a CTR or other report. Generally, a financial institution has a legal duty to aggregate cash transactions made by or on behalf of a single customer in a business day. Consequently, smurfing in cash deposits at the same institution on a single business day will give rise to an (a)(1) violation. Structuring cash deposits into multiple financial institutions on a single business day or into one or more financial institutions on different business days will give rise to an (a)(3) violation.

### **I. Owen Hawkins and the Origins of Petro America**

10. Hawkins presents himself as a local Kansas City businessman.<sup>1</sup> He is 55 years old. He claims 30 years of experience helping launch small businesses, although when pressed for specific businesses he helped, he is evasive. He says he is the former president of the Kansas City, Kansas Black Chamber of Commerce. He claims that he also formed the U.S. Black Chamber of Commerce and that he has been invited to the White House where he met with the President's staff. Hawkins earned a degree in business administration from St. Mary's College in Leavenworth, Kansas, which included accounting and finance courses.

11. Prior to 2007, Hawkins claims he “really didn't have an income. I was – I don't know if it was a vow to poverty, or what you would want to call it. But I was assisting small businesses and trying to develop relationships and looking forward to starting my own.” Prior to starting Petro America, Hawkins lived in subsidized housing. He admits that he has not filed personal income tax

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<sup>1</sup> On June 18, 2010, Hawkins participated in a voluntary, non-custodial interview with federal investigators at the U.S. Attorney's Office. The information in this affidavit not otherwise ascribed to a source is taken from a transcript of that interview, and from transcripts of Hawkins' previous interviews with the Missouri Securities Commissioner (April 2009) and with the SEC (August 2009).

returns since 1995 or 1996. He claims he does not have a personal bank account.

12. Before Petro America, Hawkins was involved with an internet radio program called “The Owen Hawkins Show,” at [www.owenhawkins.com](http://www.owenhawkins.com). He was also connected with Hawkins Maintenance Company, or HMC, a janitorial services company run by his late brother and his sister. HMC was and is located at 1333 Meadowlark Lane, Suite 203, Kansas City, Kansas. It was established in 1993.

13. Hawkins says he first had the idea to form Petro America in 2006. He registered Petro as a corporation with the Kansas Secretary of State in April 2007.<sup>2</sup> To start the business, Hawkins explains that he first pursued a couple of contracts to purchase crude oil from the Middle East and from Africa, but they fell through. He was unable to secure capital funding from banks, which he says do not give enough loans to minority-owned businesses. In 2008, Hawkins decided to hold a “private offering,” and he began selling shares of unregistered stock to investors. Hawkins admits that as the sole officer of Petro, he approved the sale of the shares. He admits he did not obtain an offering exemption, he did not complete a private placement memorandum, and he did not send a private placement memorandum to investors. At the time, Petro America had no oil, no realistic prospects for obtaining, transporting or storing large amounts of oil, no other significant assets, no revenue, and no other employees.

14. Nonetheless, Hawkins and others he recruited touted excellent prospects for Petro’s rapid growth in the oil industry. Hawkins explains that in the summer of 2008, word of the opportunity to invest in his new oil company spread around Kansas City, and then across the

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<sup>2</sup> The address Hawkins listed for Petro is 1333 Meadowlark Lane, Suite 203, Kansas City, Kansas, which is the same address as HMC. He has continued to claim this office space as "Petro's Kansas offices."

country. Within a span of a few weeks, Hawkins says the sale of shares “exploded,” causing “growth” that was “even faster than Microsoft.” In the first three weeks of the offering, in the late summer of 2008, Hawkins estimates that Petro received checks from investors totaling more than \$500,000 but less than \$1.5 million. He states that Petro initially sold five or six million shares, most of them at \$100 for 100,000 shares.

15. Hawkins stated that during the “explosive” three-week period, family and friends of Petro held meetings to discuss the stock. Hawkins said that neither he nor the Petro board members attended or participated in any of these meetings, but he heard about them later. “The thing I know mostly that we knew was people liked the fact that they could get the stock at a tenth of a penny, and they felt that there was a lot of upside.”

16. On November 12, 2008, The Missouri Securities Division issued a cease-and-desist order finding that Petro America shares were unregistered securities and that Hawkins, UCC#1, and Petro America committed multiple violations by omitting material facts in connection with the sale of a security. Hawkins and Petro America are prohibited from offering the unregistered securities in Missouri. The way Petro has attempted to get around this order is by saying that shareholders – who they claim are not formally connected to Petro America, as they point out frequently in emails – sell the shares, not the company itself.

17. On December 3, 2008, the Missouri Securities Division spoke to Hawkins regarding the cease and desist order issued against Petro, Hawkins and UCC#1. During the interview, Hawkins claimed that Petro had barrels of oil stored in Hallmark Cards’ facilities. Hallmark’s General Counsel issued a letter dated January 9, 2009 to the Missouri Securities Division stating that

“Hallmark is not leasing any facilities to Messrs. Hawkins or [UCC#1] or Petro America Corporation.”

18. On October 9, 2008, Tommy Chen, an investigator with the Missouri Securities Division, listened to a Petro America weekly investor conference call.<sup>3</sup> The call was hosted by a woman who said Petro America “is a blessing that has been given to us,” and “we want to be able to share this with you and to share the blessing.” She explained that Owen Hawkins was the president and the owner of Petro America and he was on the call too. Hawkins stated that “God has really opened up a lot of opportunities for this business.” Hawkins claimed that the stock has a book value of \$2.00 per share. He stated that his goals are to receive the Nobel Peace Prize for doing good work, and “to create as many billionaires in this as I, as I possibly can, shareholders, people that have taken the risk and chance with us they deserve the rewards.” He also stated that “we want to bless others and change others' lives.”

19. From 2008 forward, Petro America also has claimed to investors that it conducted “reverse mergers” with two companies that had, at some point, been traded: World Transport Authority (WTAI) and American Southwest Music Distribution, Inc. (ASWD). A reverse merger occurs when a private company acquires and combines with a public company to bypass the lengthy and complex process of going public. The transaction typically requires reorganization of capitalization of the acquiring company. The purpose of Petro America's two attempted (but not

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<sup>3</sup> The affiant and other investigators have determined that the conference calls were frequently or always listened to by investors in multiple states. In August 2009, Hawkins told the SEC that the shareholders began holding weekly Thursday night conference calls in July 2009. Shareholders call into a number and Hawkins gives positive updates about Petro America. As of October 2010, the calls are still occurring. Most recently, according to investors who listened to conference calls in the last two weeks, Hawkins has stated that he would like to see Petro's stock trading before Thanksgiving.

concluded) reverse mergers was to make it appear that Petro America had value. In truth, the companies Petro announced it had acquired possessed marginal or negative worth. In announcing most “acquisitions,” Hawkins and his associates misrepresented facts orally and in written releases to investors, such as over-hyping the value of the acquisitions (especially Petro's mining interests) and what Petro's true interest was, including whether that interest was even vested. Other times, they failed to disclose material facts to investors such as deal terms limiting the sharing of revenue between Petro and the entities (including Performance Packaging and multiple mine acquisitions).

20. To confuse investors, Hawkins and his co-conspirators attempted to blur the lines between the acquired entities, none of which are related to Petro America. For example, Hawkins changed ASWD’s name to “Petro America Delaware,” because ASWD had previously traded on the Pink Sheets under the symbol ASWD. Hawkins then changed the ASWD symbol to PTRZ on June 12, 2009. Petro America's website might easily lead a reader to conclude that Petro Delaware is a true successor to Petro America. In fact, while Hawkins is the largest shareholder of Petro Delaware, (due to \$22,500 worth of shares Hawkins purchased in his own name with Petro investor funds) Petro America is not a holder of record of any Petro Delaware shares. Moreover, there was no exchange of shares that would make the shareholders in Petro America holders of publicly-traded stock.

21. Owen Hawkins' sister works for Hawkins Maintenance Company, or HMC, out of office space that HMC shares with Petro America. On October 24, 2008, Petro announced on its website (in the “Resent Press Releases” section [sic]) that it has entered into a negotiation to acquire a construction company, HMC Enterprises, for its “exploration division.” Hawkins was asked about this press release during his deposition with the Missouri Securities Commissioner on April 7, 2009: “And who are you negotiating with individually [to acquire HMC Enterprises]?” Hawkins replied

by stating the name of his sister. Hawkins did not disclose his relationship with HMC in the press release.

22. In March 2009, The United States Securities and Exchange Commission (SEC) began investigating Petro America for violations of the registration, anti-fraud, and broker-dealer provisions of the Securities Exchange Act.

## **II. Misrepresentations by Owen Hawkins and Petro America**

23. Petroamericacorp.com went online around October 2008.<sup>4</sup> It states that the company seeks to be the “premier global crude oil marketer and energy arbitrageur,” and its mission is to acquire oil fields and leases in emerging markets in developing countries such as Chad, Equatorial Guinea, Sao Tome Principe, and Cameroon. However, the company has not produced a single document showing these claims have a basis in fact. The government is aware of no other evidence that Petro America seriously pursued any such opportunities, at least in a realistic fashion. But the website pledges that “Profitable growth in a visionary atmosphere will allow the Company to achieve its Corporate objectives. The company seeks optimum returns on invested capital for meteoric returns that maintain and ensure shareholder value.”

24. Petro America's website includes a prominent photograph of the luxury office building at Two Pershing Square, an imposing glass tower in downtown Kansas City. However, this supposed “world corporate headquarters” is a façade. Beginning July 15, 2008, Hawkins contracted with Regus Management Group LLC located at Two Pershing Square, 2300 Main Street, Suite 900,

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<sup>4</sup> Hawkins says that a 25-year friend of his designed Petro’s website. Petro records appear to indicate the friend was paid \$45,000. Hawkins explained this friend was also going to be the CEO of a Petro “division,” Petro Tech.

Kansas City, Missouri.<sup>5</sup> According to the initial contract, Regus agreed to provide Petro America with a “Virtual Office: Telephone answering in your company's name, fax and mail handling, use of our prestigious address and 16 hours of office usage” in exchange for a monthly fee of \$225. Mail and calls to Petro America are received by Regus, who forwards them to Hawkins or his associates. On multiple occasions, Hawkins and his associates did not disclose to investors that their “headquarters” was actually a secretarial service.

25. Petro America's website also includes links to news releases published via Group WebMedia emails, which are available to investors across the country. Hawkins admits that he approves all Petro America news releases. Investigators have determined that most or all of the releases are materially misleading and fail to disclose material facts related to investing in Petro America. Some of the press releases include:

Petro America receives irrevocable corporate purchase order for 2 million barrels of crude oil from a firm in Dubai (May 2008);

Petro America receives \$40 million in assets in exchange for stock (August 2008);

Petro America receives \$28 million in assets in exchange for stock (September 2008); and

Petro America acquires underground storage facility.... Petro America Corp acquires seven year-old underground multi-million dollar outsourcing firm for an undisclosed amount. This strategically allows Petro America the opportunity to offer storage facility services for commercial, state and federal agencies that have needs and requirements to store barrels of crude oil in a secured environmental climate-controlled environment. (November 2008).

Petro America has failed to substantiate any of these claims. For instance, while Petro America could produce a copy of the purchase order, it produced no documents verifying that it had oil to sell, that it could purchase oil to meet the contract requirements, or that it even conducted oil trading

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<sup>5</sup> <http://www.regus.com/locations/US/MO/KansasCity/MissouriKansasCityCrown.htm>

operations. The assets of \$40 million and \$28 million involved credits supposedly held by Petro America to use or sell media advertising time and space in those amounts. American Marketing Complex cancelled the credits on November 10, 2008, after Petro America and Hawkins failed to produce verification that the 34 million shares issued for the credits had a \$2 per share value.<sup>6</sup> Petro America never used or sold the credits. While Petro America did make a \$30,000 down payment for the purchase of Performance Packaging, which apparently has some underground storage capacity, no documents produced show the facility is suited for substantial quantities of oil. The landlord advised the SEC that such a use would not be allowed. City officials stated that zoning and building code requirements do not allow oil storage in quantity.

26. Petro America has issued further press releases related to so-called gold mine “acquisitions.” Each contains materially misleading statements and fails to disclose material facts related to investing in Petro America, including by misrepresenting the supposed “geologist reports” that Hawkins and his co-conspirators provided to the U.S. Attorney in an attempt to prove the mines have value.

Petro America issued a press release claiming PTRZ (which is Petro America Delaware) had acquired a 24% interest in an unnamed Arizona gold mine (later determined to be the Alvarado Mine in Congress, Arizona). According to the release, Petro America “hopes” its interest is worth more than \$300 million. (June 2009). Michael Payne, the principle scientist for a company called WM Engineering, purportedly determined the value. Matt Shumaker, the Chief Mineral Examiner with the U.S. Department of Interior, Bureau of Land Management, determined that Payne was not licensed or registered to practice geology or mining in Arizona. Shumaker determined that Payne's report misuses terminology and is missing appendices. Shumaker does not believe Payne has the qualifications to make determinations regarding the mine's value. According to Shumaker, the report filed by Payne is of insufficient quality and content to establish reserves or resources

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<sup>6</sup> In his interview at the U.S. Attorney’s office in June 2010, Hawkins denied ever knowing these media credits were cancelled. He said he never received the cancellation letter Norman King from AMC sent addressed to Hawkins dated November 10, 2008 (see below).

and does not even qualify as exploration information.

“Petro America Corp acquires 49% of Nevada Granite Mine.... Petro America Corp (PTRZ) announced today that it has acquired 49% interest in a Nevada granite mine for an undisclosed amount, which could be substantial. The Company hopes its 49% interest should represent tremendous valuation for its shareholders. Management is excited about its granite mine acquisition that could propel the company as a major player in the construction and building industry and the company will also seek other mining opportunities.” (August 2009). This press release is misleading because it states PTRZ acquired interest in a mine. The so-called granite mine is actually rhyolite, a decorative rock. See further analysis on the Bune mine by Matt Shumaker herein.

27. In June 2008 and August 2008, Petro America entered into stock agreements with American Marketing Complex (AMC). Petro sold a total of 34 million shares of its common stock, with a purported value of \$2 per share, for \$68 million AMC cash equivalent media credits (that is, each media credit was worth \$1, so that a total of \$68 million in media credits could be used as payment for future media). In the stock agreements, which Hawkins signed, Hawkins listed unaffiliated accounting firms (Ernest & Young and KPMG) and law firms (Skadden Arps) as if they represented Petro America.

28. On May 14, 2009, counsel for Ernst & Young issued a letter to Hawkins stating:

It has come to my attention that in a purported stock agreement between Petro America Corporation (“Petro America”) and American Marketing Complex, Inc., there is reference to “Ernst & Young” and “Randy Buseman” as “Accountants” for Petro America Corporation. Petro America has never been a client of Ernst & Young and Mr. Buseman and, accordingly, Ernst & Young and Mr. Buseman have never served as the accountants for Petro America. Any statement to the contrary is a misrepresentation. Please cease and desist from making any such reference to Ernst & Young and/or Mr. Buseman. In addition, please inform me forthwith of any other such references that have been made to Ernst & Young and/or Mr. Buseman being affiliated with Petro America.

29. On June 17, 2009, counsel for KPMG issued a letter to Hawkins:

We have recently become aware of two stock agreements Petro America Corp. ("Petro America") entered or attempted to enter into with an entity called American Marketing Complex, wherein you represented that "KPMG International" is the auditor of Petro America Corp, and listed your contact as KPMG International as Joe Varga, 345 Park Avenue, New York, NY 10154. There is no record of KPMG LLP, the firm with which Mr. Varga is a partner, or any other member firm of KPMG International providing audit or any other professional services to Petro America. Your misrepresentations to the contrary are a misuse of the trade name and reputation of KPMG for apparently fraudulent purposes. Accordingly, we therefore order you and all other individuals affiliated with Petro America to cease and desist from making any additional misrepresentations to any third parties that KPMG is providing audit or any other professional services to Petro America. Any continued misrepresentations to this effect will require us to pursue formal legal action against Petro America and the offending individuals.

30. On or about June 25, 2009, Norman King, the chairman and CEO of AMC gave a letter of declaration to the SEC.

- a. King executed the June 30th and August 20th 2008 stock agreements with Petro America on information received from AMC's independent sales associate, John Schiavo. He said that Petro America had major Arab oil contracts, plus the company counsel was Skadden Arps, and the accountants and auditors were Ernst & Young and KPMG, respectively. "The contract signed by Petro America includes Skadden, Ernst and KPMG, which is the only reason we accepted the stock price requested, and the only reason we, AMC, entered into the agreements;"
- b. AMC reserved the right to request a copy of Petro America's most recent audited or unaudited financial statements or annual report, and did so. But Petro America never provided such documents. This failure constituted a "material breach that automatically voids this Agreement in its entirety. The Agreement is then null and void and unenforceable and ceases to exist."
- c. On November 10, 2008, Norman King, the chairman and CEO of AMC sent a letter to Hawkins advising him that the breach made the agreement null and void.

31. On March 23, 2010, Petro America entered into a subscription agreement with World Transport Authority (WTAI). On April 23, 2010, the SEC filed a motion for an order of summary disposition against World Transport. The motion seeks to revoke the registration of each class of

WTAI's securities registered with the SEC and would prohibit it from public trading. The reason for the revocation is that WTAI has failed to make its periodic SEC filings in over five years. Instead it sought to solve its delinquent status through possible reverse mergers or other business deals. The SEC motion states that the subscription agreement between WTAI and Petro America would require Petro to disclose its beneficial ownership of WTAI's equity securities by April 2, 2010, which it failed to do. This omission violated the same reporting requirements as WTAI. The merger of the two companies would not enable WTAI to maintain its public trading status. The SEC observed that WTAI's reaction to the proceeding was to pass off its woes to another company, Petro America.

32. Hawkins, UCC#3, UCC#4 and others frequently claim that Petro's assets are worth over \$284 billion.<sup>7</sup> They promise investors that the acquisitions will pay off when the company goes public.

### **III. Petro America's Bank Accounts**

33. Subpoenaed bank records show highly unusual activity in and between each of Petro America's bank accounts. Hawkins and others make large cash withdrawals structured to avoid bank reporting laws. Many checks to cash bear notations such as "consulting," "IT services," and "legal." Investors are told the money is being invested in the company to grow its oil trading and "gold mine" businesses, and to pay fees to take Petro public. In reality, Hawkins is taking cash for himself and giving cash to others who promote the sale of shares.

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<sup>7</sup> If this valuation were accurate, Petro America would be the second largest company in the United States by market capitalization, larger than Wal-Mart (\$194.5b), Apple (\$256.2b) or Microsoft (\$220.3b). America's largest company is Exxon Mobil, which has a market capitalization of \$312.28 billion.

***U.S. Bank Account 145570804487***

34. U.S. Bank records reveal that Petro held account 145570804487 from March 18, 2008 through November 26, 2008. Hawkins opened it on March 18, 2008 with an initial deposit of \$100. From September 30, 2008 through October 24, 2008, \$767,170 in deposits were received. Deposits ranged from \$14,300 to \$180,000. They all consisted of checks written in even \$100 increments, many with “stock” or “shares” written on the memo lines.

35. In October 2008 alone, 15 cash withdrawals from account 145570804487 appear to have been structured under \$10,000 to avoid bank currency reporting requirements.

<b>Date</b>	<b>Time</b>	<b>Amount</b>	<b>Type</b>	<b>Note</b>
10/09/2008	4:37 PM	\$5,000.00	cash	
10/11/2008	12:23 PM	\$8,000.00	cash	
10/14/2008	12:23 PM	\$8,000.00	cash	
10/14/2008	12:24 PM	\$8,000.00	cash	
10/14/2008	5:06 PM	\$8,000.00	cash	
10/14/2008	5:09 PM	\$8,000.00	cash	
10/14/2008	5:14 PM	\$9,000.00	cash	
10/15/2008	5:16 PM	\$9,000.00	cash	
10/17/2008	5:06 PM	\$9,500.00	cash	
10/20/2008	2:45 PM	\$9,500.00	cash	
10/20/2008	12:01 PM	\$9,500.00	cash	
10/21/2008		\$9,500.00	check	cash
10/23/2008		\$9,000.00	check	cash
10/24/2008		\$8,000.00	check	cash
10/24/2008	5:16 PM	\$8,000.00	cash	
	<b>TOTAL</b>	<b>\$126,000.00</b>		

36. Other notable withdrawals from Petro’s U.S. Bank account include a \$400,000 outgoing wire transfer on November 6, 2008 to CitiGroup Global Markets Inc. It was deposited into

Petro America money market fund account 376-45098. Hawkins is the sole signer on the account, having signed the signature card on June 18, 2007.

***Citi Smith Barney Account 376-45098***

37. On February 27, 2009, Citi Smith Barney records show \$250,650.40 was wired to Petro America account 112950301 at Brotherhood Bank & Trust in Kansas City, Kansas.

***Brotherhood Bank & Trust Account 112950301***

38. On February 26, 2009, Hawkins opened Petro America business checking account 112950301 at Brotherhood Bank & Trust. After the initial \$250,650.40 wire transfer on February 27, 2009, no other deposit was made until May 21, 2009. From February 27, 2009 through March 31, 2010, \$81,500 in checks were written for cash. Many referenced in the memo line as "For consulting," "Legal support," and "Public relations." In addition to the checks to cash, \$54,250 in checks were written out of the account for "Consulting," "For IT support," and "For marketing." Hawkins made numerous additional withdrawals for airline tickets, hotel fees, and personal purchases for meals and at department stores across the United States. The account has been nearly dormant since June 12, 2009.

***Bank of America Account 518000814186***

39. On November 6, 2008, a \$158,796.02 cashier's check was made payable to Petro America from Petro's U.S. Bank account to Bank of America account 518000814186. This account was opened on March 21, 2008 with Hawkins as the only signer. He is listed as CEO/Secretary on the signature card.

40. From September 24, 2008 to January 26, 2009, Hawkins made numerous deposits to this account, including 798 checks and money orders totaling \$192,506. All appear to be from Petro America investors. The checks are in \$100 increments, and memo lines include "stocks,"

“shares,” “Petro America shares,” “Investment,” “1,000,000 shares,” “100,000 shares,” “Stock offering,” “Petro-Investment,” “per [UCC#4],” and “200,000 sh. Petro.”

41. Cash withdrawals on this account appear structured to avoid bank reporting laws. From November 7, 2008 through January 26, 2009, \$223,306.23 in cash was withdrawn. Bank officials stated that Hawkins often comes into different Bank of America branches to withdraw \$9,500 in cash, always requesting large bills. Hawkins told bank officials that his large deposits are from investors in his company. His cash withdrawals include:

<b>Date</b>	<b>Amount</b>	<b>Date</b>	<b>Amount</b>
11/07/2008	\$4,500.00	12/15/2008	\$4,000.00
11/12/2008	\$1,000.00	12/18/2008	\$5,000.00
11/18/2008	\$ 400.00	12/19/2008	\$9,500.00
11/19/2008	\$4,856.23	12/22/2008	\$5,000.00
11/20/2008	\$9,500.00	12/22/2008	\$650.00
11/21/2008	\$5,000.00	12/22/2008	\$5,000.00
11/21/2008	\$3,000.00	12/24/2008	\$8,000.00
11/25/2008	\$9,500.00	12/24/2008	\$8,000.00
11/26/2008	\$5,000.00	12/29/2008	\$8,000.00
11/28/2008	\$2,500.00	12/30/2008	\$9,500.00
11/28/2008	\$2,500.00	01/05/2009	\$5,000.00
12/01/2008	\$5,000.00	01/07/2009	\$8,000.00
12/02/2008	\$4,900.00	01/08/2009	\$8,000.00
12/05/2008	\$2,000.00	01/08/2009	\$9,500.00
12/08/2008	\$6,000.00	01/12/2009	\$8,000.00
12/08/2008	\$3,500.00	01/14/2009	\$8,000.00
12/09/2008	\$9,500.00	01/15/2009	\$6,500.00
12/10/2008	\$5,000.00	01/16/2009	\$7,000.00
12/12/2008	\$2,500.00	01/26/2009	\$5,000.00
12/15/2008	\$9,500.00		
		<b>Total</b>	<b>\$223,306.23</b>

42. In addition, a total of \$51,700 was transferred from November 10, 2008 to January 20, 2009 to the bank accounts of other persons.

***Mazuma Credit Union Account 193566***

43. Mazuma account 193566, in the name of Petro America Financial Services, was established on May 9, 2009. Owen Hawkins incorporated Petro America Financial Services Inc. in Kansas on February 9, 2009. HMC Enterprise Corporation is listed as the resident agent at the same address as Petro America Financial Services. The original signature card lists John Hammonds of Kansas City, Missouri as CEO of Petro America Financial Services. Chairman of the Board Isreal O. Hawkins is an authorized signer. UCC#2 is an additional signer. An updated signature card signed on December 16, 2009 lists only Hawkins and UCC#2 as signers.

44. Seventy checks and money orders totaling \$13,615 from Petro investors were deposited into this account from May 9, 2009 through January 22, 2010. They were in round \$100 increments, mostly in money orders, with memo sections stating “shares,” “Petro,” “gifted shares” and “2M shares.” Seventy-one additional investor checks in \$25 increments totaling \$4,824.95 were deposited in the spring and summer 2009. Many bear the notation “Petro defense fund.”

45. In addition to the investor proceeds, \$830,000 in checks from Windsong Ventures<sup>8</sup> were deposited from July 16, 2009 to March 27, 2010. Another \$172,310 was wired in from Greeley, Colorado. These deposits are discussed later in this affidavit.

**IV. Withdrawals by Owen Hawkins and his Associates**

46. From September 2008 through April 10, 2010, Hawkins received at least \$1,980,425.95 from Petro investors into accounts he controlled. Bank records gathered by the

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<sup>8</sup> UCC#3 has a registered shell company known as Windsong Ventures LLC.

affiant reveal that money coming into the Petro America accounts was derived entirely or almost entirely from investors. Investors sent some money directly to Hawkins, and other money came from Hawkins' associates, including UCC#3. For example, from September 3, 2008 through January 26, 2009, Hawkins does not dispute that Petro raised at least \$1,102,516 through selling at least 1.2 billion shares. He admits that during the same five-month period, he personally withdrew at least \$465,000 in cash from Petro's accounts. When asked, he explained that some of this cash went towards "IT expenses," but he was unable to identify other Petro expenses this investor money might have paid. He admitted that some of the cash withdrawals went to him pursuant to his employment contract, although he says that Petro did not issue a W-2 for him in 2008.

47. During an interview in September 2010, UCC#4 told agents he has witnessed UCC#3 giving Hawkins envelopes full of cash. UCC#4 did not know why this was happening. UCC#4 volunteered that he always wired his funds to UCC#3 so there would be a paper trail.

48. In June 2010, Owen Hawkins admitted that he remains Petro's only full-time employee. He pays himself a yearly salary of \$595,000, ostensibly pursuant to an "Executive Employment Agreement" dated July 24, 2007. The contract also purportedly grants Hawkins a guaranteed bonus of \$175,000; 500 million shares that are immediately exercisable; "all expenses necessarily and reasonably incurred;" a company car; a company apartment in Missouri (even though he lives close by in Kansas City, Kansas); and a "Gold Management Dining Card," which he is also allowed to retain and use for meal expenses for the five years following his termination. Hawkins explained to investigators that this contract was approved by Petro's Board. But it has not been disclosed to investors. He said this compensation package was reasonable given "the price of oil at that time" and the fact that Petro was trying to enter into some oil contracts. Hawkins was asked in June 2010 how many shareholders know how much he is paid. UCC#5 and UCC#6 were

the only people he named. Hawkins says they were on Petro's board in 2007 and he claims they approved the contract. UCC#6 is listed as a co-signer on the contract. But Hawkins claims he is not hiding his salary; he says that he would be willing to share this information with other shareholders if they asked. In addition to his employment contract, Hawkins also possesses a purported "loan agreement," whereby, he explains, the company can make personal loans to Hawkins.

49. Hawkins draws his salary in cash, in random amounts at inconsistent times, "from operations," although he explains that he has never drawn the full amount of salary authorized. He states that the company does not withhold taxes or issue paychecks, but instead has operated "on a cash basis" since October 2008 when he claims Petro's bank accounts were frozen by the bank for 10 days.<sup>9</sup> He explains that Petro America was "under so much attack from the state of Missouri, and I felt it was a lot of racism because Missouri was the last state in the union to free the slaves." Despite operating on a cash basis, Hawkins claims that he is "quite sure" he can track every dollar of shareholder money raised since 2007.

50. Petro America had a bank account at Mazuma Credit Union. Tellers describe Hawkins and UCC#2 coming into the bank multiple times per week. Sometimes they made big deposits of multiple checks. On most visits, they withdrew \$7,500 to \$9,800, often on consecutive days. The cash was given in \$100 bills, and Hawkins put the cash into his jacket pocket. Sometimes

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<sup>9</sup> Hawkins opened the initial Petro account at U.S. Bank on 3/18/08 with a \$100 deposit. He only made two more deposits from March 19, 2008 to June 20, 2008, at which time Hawkins overdrew the account. The account was continuously overdrawn by Hawkins from June 20, 2008 to August 5, 2008 and was closed by U.S. Bank on August 5, 2008 for apparent overdraft activity. Hawkins paid off the balance owed and reopened the account with the \$55,000.00 deposit on September 30, 2008 consisting of Petro stock purchase checks. Hawkins closed the account on November 26, 2008.

Hawkins was accompanied by other parties to whom he handed cash after withdrawing it. In this manner, Hawkins and UCC#2 have obtained at least \$542,315 in cash from Mazuma's Petro America account from July 2, 2009 to May 12, 2010. In June 2010, Hawkins explained to investigators that these frequent cash withdrawals were made to "pay bills and pay people," including Petro's light bill, which he said he pays personally in cash.

51. Tellers have gotten to know Hawkins from his frequent visits. They describe him as "generous." One day around Christmas 2009, tellers recall Hawkins, standing in Mazuma's lobby, handing out \$100 and \$200 checks written on Petro's account to random customers.

52. Hawkins and UCC#2 frequently committed the offense of "structuring," in violation of 31 U.S.C. § 5324, by making multiple cash withdrawals in amounts less than \$10,000.01 to avoid generating Currency Transaction Reports (CTRs), which banks are required to file for currency transactions over \$10,000. One Mazuma teller recalled clearly the first time she dealt with Hawkins. On December 18, 2009, Hawkins approached her with a large check written to cash, drawn on "Petro America Financial Services." The teller stated Hawkins became confrontational when he was told she had to file a CTR. He told the teller that it was his money, and he could take it all out of the bank, and it was nobody's business. She explained to Hawkins that bank policy required her to file a CTR for large cash withdrawals. She called her supervisor to help handle the situation. She recalls that Hawkins lowered the amount of his withdrawal, and then returned a few days later to withdraw additional cash.

53. On March 5, 2010, Hawkins attempted to withdraw \$9,800 cash from the Petro account. The Mazuma teller asked Hawkins what his job title was. Hawkins questioned why that information was needed. The teller notified Hawkins that the \$9,800 transaction put the Petro account over \$10,000 in currency withdrawals for the day. This was because cash of more than

\$1,000 had already been withdrawn on the account earlier in the day by UCC#2. The teller explained to Hawkins that when you exceed \$10,000 currency in one day, the bank is required to file a CTR. Hawkins told the teller he did not want a CTR filed, so he changed the withdrawal amount to \$8,500 by writing another check in front of the teller. The teller voided the \$9,800 transaction and no CTR was filed.

54. On April 2, 2010, a Mazuma teller filed a CTR on Hawkins after he wrote a Petro check for \$8,500 to obtain cash. The teller notified Hawkins that, by law, any currency taken in one day over \$10,000 required her to file a CTR. Hawkins asked why a CTR was filed on this transaction. The teller told Hawkins that UCC#2 had also withdrawn \$8,000 cash from the Petro account earlier in the day. Hawkins was surprised by this news and said “oh, she did?” The teller stated Hawkins was not happy a CTR was being filed, but he did not change the amount of the withdrawal. Later, the teller told law enforcement this instance was unusual because UCC#2 usually tried to keep the withdrawals under \$10,000. Usually only Hawkins or UCC#2 would make a withdrawal on a single day.

55. In addition to Mazuma, Hawkins also structured currency withdrawals out of Petro accounts at U.S. Bank and Bank of America. On several dates, Hawkins tried to make currency withdrawals from Bank of America exceeding \$10,000. When notified by the teller that a CTR would be generated, Hawkins changed the withdrawal amount to avoid the CTR.

56. Months later, in June 2010, a federal agent asked Hawkins “Do you know what the reporting requirements are that the bank has when you make cash withdrawals? Do you know what the limit is on that?” Hawkins responded, “No, what is it?” The agent asked, “You have never heard of it? Have you ever had a currency transaction report?” Hawkins responded, “No.” When the agent explained what CTRs are, Hawkins said “well, you know, I wasn't worried about that,

because, you know, the SEC had got our bank records; everybody was in our bank records, so it was nothing to hide.”

57. A Bank of America branch manager recalled noting on one occasion that Hawkins was acting suspicious in the bank and appeared to be trying to “fly under the radar.” He initiated a conversation with Hawkins regarding the amounts of his withdrawals, and he asked Hawkins what was going on. Hawkins responded by asking why an African-American (bank manager) was giving another African-American (Hawkins) a hard time with his bank accounts. The bank manager advised Hawkins that bank policy had nothing to do with race.

58. From July 2, 2009 to May 12, 2010, Hawkins wrote 65 checks to cash out of the Mazuma account totaling \$425,700. For the same dates, UCC#2 wrote 47 checks to cash totaling \$116,615, all with Hawkins’ permission. At his June 2010 interview at the U.S. Attorney’s Office, Hawkins said that UCC#2 works for Petro America as a “consultant” and admitted that he knew UCC#2 was making withdrawals and that he authorized UCC#2 to do so. The memo sections on the below checks for cash contained notations including “for consulting,” “conference call,” “office support,” and “speaker.”

<b>Date</b>	<b>Amount</b>	<b>Signature</b>	<b>Date</b>	<b>Amount</b>	<b>Signature</b>
7/2/09	\$3,000.00	Hawkins	1/16/10	\$7,500.00	Hawkins
7/24/09	\$4,000.00	Hawkins	1/19/10	\$800.00	UCC#2
7/29/09	\$1,500.00	Hawkins	1/22/10	\$6,500.00	Hawkins
7/31/09	\$4,000.00	Hawkins	1/27/10	\$7,500.00	Hawkins
8/7/09	\$2,500.00	Hawkins	1/28/10	\$1,600.00	UCC#2
8/13/09	\$2,300.00	Hawkins	1/29/10	\$6,800.00	Hawkins
8/24/09	\$2,500.00	Hawkins	1/30/10	\$5,500.00	Hawkins
8/25/09	\$1,000.00	UCC#2	2/4/10	\$7,500.00	Hawkins
8/31/09	\$3,000.00	Hawkins	2/5/10	\$1,500.00	UCC#2
9/1/09	\$3,000.00	Hawkins	2/10/10	\$7,500.00	Hawkins
9/8/09	\$1,000.00	UCC#2	2/12/10	\$1,500.00	UCC#2
9/9/09	\$1,000.00	UCC#2	2/16/10	\$8,500.00	Hawkins

<b>Date</b>	<b>Amount</b>	<b>Signature</b>	<b>Date</b>	<b>Amount</b>	<b>Signature</b>
9/9/09	\$1,000.00	UCC#2	2/19/10	\$1,500.00	UCC#2
9/11/09	\$2,500.00	UCC#2	2/20/10	\$6,500.00	Hawkins
9/16/09	\$3,500.00	Hawkins	2/25/10	\$8,500.00	Hawkins
9/18/09	\$500.00	UCC#2	2/25/10	\$1,500.00	UCC#2
9/23/09	\$3,800.00	Hawkins	2/26/10	\$9,500.00	Hawkins
9/25/09	\$4,500.00	UCC#2	3/2/10	\$9,500.00	Hawkins
9/30/09	\$3,100.00	UCC#2	3/3/10	\$9,500.00	Hawkins
10/9/09	\$1,500.00	UCC#2	3/4/10	\$9,800.00	Hawkins
10/16/09	\$500.00	UCC#2	3/5/10	\$1,500.00	UCC#2
10/16/09	\$6,515.00	UCC#2	3/5/10	\$8,500.00	Hawkins
10/21/09	\$7,000.00	Hawkins	3/6/10	\$7,500.00	Hawkins
10/22/09	\$1,500.00	UCC#2	3/10/10	\$8,500.00	Hawkins
10/23/09	\$7,500.00	Hawkins	3/12/10	\$1,600.00	UCC#2
10/26/09	\$5,000.00	UCC#2	3/12/10	\$4,500.00	Hawkins
10/28/09	\$1,500.00	UCC#2	3/17/10	\$1,700.00	UCC#2
10/29/09	\$8,500.00	Hawkins	3/17/10	\$9,500.00	Hawkins
11/2/09	\$8,500.00	Hawkins	3/19/10	\$5,000.00	Hawkins
11/7/09	\$5,500.00	Hawkins	3/19/10	\$8,000.00	UCC#2
11/7/09	\$500.00	UCC#2	3/20/10	\$7,500.00	Hawkins
11/9/09	\$5,000.00	Hawkins	3/22/10	\$8,000.00	UCC#2
11/12/09	\$500.00	UCC#2	3/23/10	\$8,500.00	Hawkins
11/14/09	\$5,000.00	Hawkins	3/26/10	\$8,500.00	Hawkins
11/14/09	\$1,000.00	UCC#2	3/27/10	\$1,600.00	UCC#2
11/17/09	\$3,500.00	Hawkins	3/31/10	\$8,500.00	Hawkins
11/20/09	\$500.00	UCC#2	4/1/10	\$8,500.00	UCC#2
11/23/09	\$2,500.00	Hawkins	4/2/10	\$8,500.00	Hawkins
12/2/09	\$5,000.00	Hawkins	4/2/10	\$8,000.00	UCC#2
12/4/09	\$1,500.00	UCC#2	4/3/10	\$9,000.00	UCC#2
12/11/09	\$3,500.00	Hawkins	4/7/10	\$5,500.00	Hawkins
12/14/09	\$500.00	UCC#2	4/7/10	\$2,000.00	UCC#2
12/17/09	\$1,500.00	UCC#2	4/10/10	\$8,500.00	Hawkins
12/18/09	\$3,500.00	Hawkins	4/15/10	\$8,000.00	Hawkins
12/21/09	\$9,500.00	Hawkins	4/15/10	\$2,000.00	UCC#2
12/22/09	\$8,500.00	Hawkins	4/16/10	\$8,500.00	Hawkins
12/23/09	\$1,000.00	UCC#2	4/17/10	\$9,500.00	Hawkins
12/24/09	\$9,500.00	Hawkins	4/19/10	\$8,500.00	Hawkins
12/28/09	\$7,500.00	Hawkins	4/21/10	\$8,500.00	Hawkins
12/30/09	\$3,000.00	UCC#2	4/22/10	\$1,500.00	UCC#2

<b>Date</b>	<b>Amount</b>	<b>Signature</b>	<b>Date</b>	<b>Amount</b>	<b>Signature</b>
12/31/09	\$7,500.00	Hawkins	4/29/10	\$1,700.00	UCC#2
1/5/10	\$4,500.00	Hawkins	4/30/10	\$9,500.00	Hawkins
1/11/10	\$4,300.00	UCC#2	5/1/10	\$5,500.00	Hawkins
1/12/10	\$4,000.00	UCC#2	5/4/10	\$1,700.00	UCC#2
1/14/10	\$7,500.00	Hawkins	5/8/10	\$5,500.00	Hawkins
1/15/10	\$500.00	UCC#2	5/12/10	\$1,500.00	UCC#2
			<b>Total</b>	<b>\$542,315.00</b>	

### V. Affinity Scam

59. Hawkins and his associates cultivate loyalty, gain credibility, and buy time from their shareholders through a variety of calculated means. For example, Hawkins and his associates use religious language and make frequent references to the “Petro America Family.” Hawkins describes himself as a deeply spiritual man. Hawkins and his associates often recruit through churches and use religious language in their pitches, including promoting Petro America as a once-in-a-lifetime opportunity to “share the blessing.” Petro cultivated a relationship with the African-American Ministers Alliance Group. In June 2010, Owen Hawkins provided Petro records to the U.S. Attorney. These records show large payments to multiple Kansas City area pastors, religious leaders and a local civil rights activist. On multiple occasions, including after Hawkins learned of the federal criminal investigation in May 2010, the African-American Ministers group attempted to lobby elected officials and law enforcement on Petro’s behalf including by signing petitions. Members have taken numerous steps to promote Petro America, including by giving supportive quotes in press releases and by sponsoring an advertisement in the September 24, 2010 issue of the newspaper “The Call.”<sup>10</sup>

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10 The ad stated that “Petro America Corp,” “The People’s Company,” “Through it’s Divisions and Subsidiaries, has created over 100 Jobs in the Local Community.” It continues “Substantial Holdings in Gold Mine Ownership interest and Oil & Gas reserves.” It concludes “Petro America Corp Launches The Jobs for America Campaign!!!” It lists the names of nearly 200 shareholders and supporters, and says at the bottom, “Paid for by the Kansas City Minister’s

60. Hawkins explains that “from day one,” Petro's policy is that any shareholder who asks can receive their money back. As of August 5, 2009, Hawkins told the SEC that no shareholders had ever asked for their money back. By June 2010, Hawkins estimated that approximately 12 billion shares had been sold and gifted, and he was aware of only one shareholder, “Aaron” LNU, who had requested his money back.

#### **VI. Purchases by Owen Hawkins**

61. During Hawkins’ June 2010 interview at the U.S. Attorney’s Office, he admitted that he used investor money from Petro’s accounts to purchase a Chrysler 300, a Hummer H3, and a 2004 Mercedes S430. Hawkins claimed in the same interview that Petro has been his only source of income since 1995.

62. On January 30, 2010, Hawkins purchased a Natural Cat Lynx Coat with Fox Trim from Alaskan Fur Company for \$5,700.

63. On March 4, 2010, Hawkins purchased a 2004 Mercedes S430 from Car Gallery, Inc. Hawkins paid \$17,995 for the car, putting down \$9,000 in cash, which was in a Mazuma Credit Union envelope.<sup>11</sup> Hawkins paid off the car on May 25, 2010 with an \$8,644 check. Hawkins asked the dealership to put the car under the name American Legacy Trust at 4741 Central #267, Kansas City, Missouri (which is a UPS Store mailbox).

64. On March 29, 2010, Hawkins wrote a check from the Petro Mazuma Credit Union account to State Line Nissan to purchase a 2006 Chrysler 300C. The vehicle invoice is signed by

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Alliance Group.”

<sup>11</sup> An employee of Car Gallery recalled that Hawkins drove to the dealership in a black Mercedes S430 on the date he purchased the 2004 Mercedes, which suggests Hawkins may own two Mercedes S430s.

Isreal Owen Hawkins. Hawkins stated during the purchase that he wanted the “car titled to his trust.” He requested that the sales document list American Transportation Services as the buyer, at 4147 Central, Suite 267, Kansas City, Missouri (the UPS Store address is actually 4741 Central; it appears the number is transposed on the invoice).

65. In October 2009, Hawkins attempted to purchase a house by a lake located at 3405 N. 128th Terrace, Kansas City, Kansas for over \$300,000. Federal agents interviewed the real estate agents who represented the seller and the buyer. They said Hawkins initially wanted to purchase the house with cash using Petro Realty Corp. funds.<sup>12</sup> Hawkins said he was the CEO of the company and the house was a corporate purchase. He also provided the realtor with a stock certificate from American Southwest Music Distribution (ASWD) that showed Hawkins owned 16,907,432 shares of ASWD stock, stating that he was going to sell some of the ASWD stock to purchase the house.

66. Hawkins' realtor stated that Hawkins did not qualify to purchase the house on his own credit, so he settled on doing a purchase agreement for pre-occupancy with a contract to purchase the house by December 2009. The contract required him to pay a monthly pre-occupancy fee. The buyer and seller signed a second contract when the December 2009 deadline passed. The second contract also expired. Despite this, Hawkins continues to make \$3,025 monthly house payments. From October 2009 through October 2010, these payments totaled \$42,815 using cashier's checks or money orders. The commercial lender told agents that Hawkins has never provided the financial statements.

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<sup>12</sup> Hawkins describes Petro Realty as one of Petro's many “divisions.”

## **VII. Petro America's "Gifting" Program**

67. In addition to selling shares, Hawkins explains that Petro had a longstanding policy of "gifting" shares to anyone who asks.<sup>13</sup> He claims this policy was widely known and was supported by the shareholders. Information explaining this gifting program, he says, "was distributed out through our shareholder base; that information was out there to all our shareholders." Hawkins was not able to explain why some shareholders would choose to pay money for stock when corporate policy is that they could have received shares for free if they asked. For example, Hawkins admits that he gifted UCC#1 50 million shares because "he is trying to bless a lot of people, so we give shares out." When asked how Petro decides who should receive shares, and how many shares to award, Hawkins replied, "It is just discretionary." Hawkins explained that gifting billions of shares to certain shareholders he selected did not dilute the value of the purchased shares because Petro "gifted equitably... to make sure people didn't do that." As of June 2010, he explained that the gifting program is still available, but it has been modified, and now a requesting party must show Hawkins a "humanitarian need" in order to receive gifted shares.

68. In addition to gifting shares of stock, Hawkins admits that he has distributed at least \$303,200 of investor money to at least thirty-six friends and shareholders of his choosing. He describes some of the distributions as payments to persons who brought "opportunities" to Petro America. Others he describes as humanitarian payments to stockholders in need to help them pay their mortgages or for other charitable reasons. Hawkins admits that he decides who is worthy of receiving such payments and he simply makes the payments without further authorization.

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<sup>13</sup> In August 2009, Hawkins explained PAC's gifting policy to the SEC: "No, we have an open policy. We gift shares to anyone that asks. If someone asks for gifted shares, we give it to them."

69. In addition to the charitable cash payments to certain shareholders, Hawkins also made cash payments totaling \$217,859 to twenty-one “vendors and consultants.”

### **VIII. Charged Offense Conduct**

#### ***Securities Fraud***

70. As described above, beginning in August 2008, Isreal Owen Hawkins and his associates began an unregistered offering of securities in Petro America Corp., a Kansas entity that he founded. According to Petro America, this offering has resulted in the sale or gifting of some 12 billion shares of Petro America Corporation stock. Hawkins explains that at first, he personally typed up stock certificates for the shareholders. Later, he says he employed Minuteman Printers to make stock certificates. The affiant has determined that these stock certificates were then mailed to investors across the United States and in other countries. A shareholder in Maryland said he received a Petro stock certificate from his purchase of shares in October 2008. The stock certificate states that Petro has a \$2 per share par value. A shareholder in Illinois has received a stock certificate, but it does not include a CUSIP number. On November 28, 2008, UCC#7 sent out an e-mail to undisclosed recipients that stated “All of the stock certificates have been mailed!!!.” On December 8, 2008, UCC#7 sent out a follow-up e-mail to undisclosed recipients that stated, “So, if you have not received your certificates by the time your mail runs on Wednesday please e-mail [UCC#3].”

71. Hawkins admits that as the sole officer of Petro, he approved the sale of the shares. He admits he did not obtain an offering exemption, he did not complete a private placement memorandum, and he did not send a private placement memorandum to investors. At the time, Petro America had no oil, no realistic prospects for obtaining, transporting or storing large amounts of oil, no other significant assets, no revenue, and no other employees. Even after the Missouri

Securities Commissioner issued a Cease and Desist Order to Hawkins and Petro America on November 12, 2008 for selling unregistered stock, Hawkins and Petro America continued to sell the stock and Hawkins continued to facilitate the mailing of stock certificates to investors across the country. As is evident from the bank transactions above, Hawkins continued to withdraw investor proceeds from Petro's accounts up to and including May 12, 2010 and beyond.

72. Hawkins and UCC#4 hold weekly telephone conference calls whereby listeners are encouraged to call a telephone number and enter a PIN number to listen to the calls. The conference calls are held every Thursday evening at 7:00 p.m. and 7:30 p.m. central time. The calls tout Petro's supposedly large asset base, and provide financial advice to shareholders on ways they can use their shares. This includes such things as taking loans on the shares or converting shares into strips and coupons that will supposedly bring shareholders an estimated \$18,000 to \$24,000 per month on only 100,000 shares. Shareholders in Colorado, Illinois, Texas, New Mexico, Maryland and Virginia have all stated they listen to the weekly conference calls put on by Hawkins and UCC#4. These shareholders have heard Hawkins continually say the company is close to being on the "Pink Sheets" and that the book value of Petro is \$24 per share and the opening value will be \$5 per share. Other shareholders said the calls stated that Petro was going to open trading at \$20 per share and climb to \$60 to \$100 in a few months. During recent calls, Hawkins has told shareholders that the auditors were almost done with Petro's financials. An announcement made by Hawkins on a February 2010 call that stated Petro will be public in two weeks. As of October 26, 2010, Petro is not public.

73. UCC#3 also held conference calls with several potential investors in Louisiana and Texas in the Fall of 2009. UCC#3 told the investors that she was reselling her shares to raise funds to help with accounting and transfer agents for Petro. Prior to one of the calls with UCC#3 the

shareholder looked up the value of PTRZ and at the time it was approximately \$0.25 per share. The shareholder asked UCC#3 why the shares were being sold to them for around \$0.01 to \$0.02 per share. She told the group that they should “be thankful for the gift you got.”

74. In addition the conference calls with investors, UCC#3 has sent out e-mails to Petro shareholders soliciting the sales of her Petro shares. On May 6, 2009, UCC#3 sent an e-mail to a shareholder in California soliciting Petro shares. She wrote, “I have someone putting up 20 million shares for sale. The price is \$300 per 100,000. After taxes are paid the remainder of the funds will be going to the Petro Legal Defense Fund. They wanted to really help contribute and felt this would raise more funds than just a donation.” In a later e-mail to the shareholder on May 11, 2009, UCC#3 admitted that “the shares belong to Windsong Ventures LLC of which I am then aging director.” But UCC#3 did not disclose that she personally would be taking a cut of the shares sold.

75. On December 8, 2009, UCC#3 sent an e-mail to a Petro shareholder in Texas:

“We have a small window of opportunity for all the shareholders who have been desiring some extra shares. We have an individual who has some private shares that is willing to sell some to assist in raising money for Petro. This will help pay for some of the additional costs that have been accrued over the last month with the problems with the other transfer agent and also help all of us get our shares in a timely manner. The shares will be available at the price of \$1,000.00 for 100,000 shares. This is well below the current market price and a great opportunity for all those looking for some extra.”

Once again, UCC#3 did not disclose that she personally would be taking a cut of the shares sold.

76. On May 12, 2010, a federal search warrant was executed on UCC#3’s home in Bandera, Texas. Agents seized seven computers and additional records related to Windsong and Petro America. Seized notebooks show UCC#3 was attempting to conceal the transfer of Petro shares to Windsong Ventures from her associates. The notebooks contain handwritten notes by UCC#3 that give the impression that Hawkins instructed UCC#3 to transfer shares held by UCC#4

and other to Windsong to resell the shares at far greater cost. These notes appear to be taken by UCC#3 during a phone conversation with Hawkins. The note states that “no one can know that [UCC#4] is giving the shares back to Petro...nothing in writing...never talked about with anyone” and “never had agreement for funds to come back to Petro...otherwise null and void.” She also writes that it was not in the Petro corporate resolution. Additional handwritten notes, dated March 9, 2010, were discovered during the search warrant. They show UCC#3 calculating the number of shares UCC#4 and others transferred to UCC#3. She transferred shares from UCC#4's company and UCC#4's family totaling 100,000,000. She also transferred 50,000,000 shares from Love Eternal LLC and 50,000,000 from three other individuals. Hawkins instructed her to transfer 25,000,000 from Arizona LG, 30,000,000 from DCD Operating, 20,000,000 from GBS Financial, 25,000,000 from an individual, 25,000,000 from a second individual and 5,000,000 from a third individual.

77. From October 2009 through February 2010, a shareholder purchased 7,000,000 shares from UCC#3 for \$70,000. This shareholder later told investigators that he did not know he was buying UCC#3's shares. He thought Petro had set aside shares to sell to get the audit done. His understanding was the shares were available through UCC#3 because Petro needed to raise \$180,000 to get money to have an accountant do an audit to compute the book value. Since the mines were not generating cash, the stock sales were supposed to raise the cash. He thought UCC#3 was an agent for Petro, and he knew he was sending money to her LLC, but he thought the money would be going to Petro. UCC#3 said she was selling shares to raise money for the Petro accounting because she was “someone who believes in the dream,” and she wanted to help the company grow and get to the market. UCC#3 told the shareholder in an e-mail she had written the check to the accountant. UCC#3 did not tell this shareholder that she would be taking a hefty cut of the \$70,000 he sent.

78. On September 14, 2009, UCC#3 e-mailed Hawkins “[UCC#4] informed me that I was to send additional funds when I have them, I will see what I can do. Since you stated all the funding for the mines must come from us, that leaves me little left over for you. We have to date added \$103 Billion dollars in assets to Petro through the mine acquisitions and paid for your joint venture with Jet Black Oil. All documentation will be provided to the SEC, *including all funds that have been sent to you for our shares*” (emphasis added). Hawkins responded to UCC#3 by writing, “Do not contact the SEC, let that come from Petro America Corp, the company, if the SEC has not contacted you do not contact them. We have not hired or recommend any shareholder to act on behalf of Petro America regarding the SEC, only the Company's legal counsel should deal with these matters.”

79. Bank records from J.P. Morgan Windsong account 794488569 indicate that UCC#3 has sent large checks to Petro America and Hawkins. From December 14, 2009 through March 25, 2010, 11 such checks totaled \$830,000:

<b>Date</b>	<b>Amount</b>	<b>Payee</b>	<b>Memo</b>
12/14/2009	\$125,000.00	Petro America Corp	
12/16/2009	\$10,000.00	Petro America Corp	legal opinion
12/17/2009	\$25,000.00	Petro America Corp	
12/18/2009	\$5,000.00	Owen Hawkins	Merry Christmas
12/18/2009	\$55,000.00	Petro America Corp	
01/22/2010	\$40,000.00	Petro America Corp	
02/04/2010	\$50,000.00	Petro America Corp	
02/12/2010	\$100,000.00	Petro America Corp	
02/24/2010	\$140,000.00	Owen Hawkins	Petro
03/16/2010	\$180,000.00	Petro America Corp	
03/25/2010	\$100,000.00	Petro America Corp	
<b>TOTAL</b>	<b>\$830,000.00</b>		

80. Robert Hannan, Chief, Fort Worth Office of the Securities and Exchange Commission, is familiar with the facts of this case. He conducted an interview of Owen

Hawkins in August of 2009, and he has reviewed the facts outlined herein. On October 22, 2010, Hannan verified that Petro America Corp.'s distribution has never been registered under Section 5 of the Securities Act of 1933 (The Act). That Act requires the registration of transactions or offerings of securities. It bars the sales of such securities by any "person, directly or indirectly," when no registration statement is in effect. Hannan confirmed that Petro has never registered an offering of its stock with the SEC and does not have a registration statement.

81. Section 4(1) of The Act exempts transactions by any person other than an issuer, underwriter or dealer. Hawkins is an underwriter by the definition found at Section 2(a)(11) of the Act, which defines underwriter as "any person who has purchased from an issuer with a view to, or offers or sells for an issuer in connection with, the distribution of any security, or participates or has a direct or indirect participation in any such undertaking ... the term "issuer" shall include, in addition to an issuer, any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control of the issuer.

82. Based upon a shareholder listing that Petro provided to the SEC on April 6, 2009, Petro represented it had sold or gifted 3,041,800,000 shares at that time. According to the listing, shareholders paid a total of \$4,274,270 to acquire the shares. Investigators also reviewed bank records controlled by UCC#3. They revealed that around June 2009, UCC#3 began reselling her Petro shares. From June 17, 2009 through April 30, 2010, UCC#3 received in excess of \$3 million from Petro America investors into accounts she controlled. Based upon the records provided by Petro to the SEC, and the bank records analyzed by investigators, it appears that Petro has received in excess of \$7.2 million from Petro investors. Hawkins admits that in total, he and Petro have sold 12 billion Petro shares to over 9000 investors. According to records obtained from Petro, the largest single investor appears to have paid \$100,000 for stock.

***Currency Structuring***

83. On March 16, 2010, \$180,000 was transferred from J.P. Morgan Chase account 794488569, in the name Windsong Ventures, to Mazuma Credit Union account 193566 in the name of Petro America Financial Services in Kansas City, Western District of Missouri. From March 17, 2010, to May 1, 2010, \$180,000 money was structured out of the account by Owen Hawkins, and UCC#2. Hawkins admitted to investigators that UCC#2's withdrawals were done with Hawkins' consent and permission. The withdrawals were as follows:

<b>Date</b>	<b>Withdrawal</b>	<b>By</b>	<b>Date</b>	<b>Withdrawal</b>	<b>By</b>
3/17/2010	\$1,700.00	UCC#2	4/7/2010	\$5,500.00	Hawkins
3/17/2010	\$9,500.00	Hawkins	4/7/2010	\$2,000.00	UCC#2
3/19/2010	\$5,000.00	Hawkins	4/10/2010	\$8,500.00	Hawkins
3/19/2010	\$8,000.00	UCC#2	4/15/2010	\$8,000.00	Hawkins
3/20/2010	\$7,500.00	Hawkins	4/15/2010	\$2,000.00	UCC#2
3/22/2010	\$8,000.00	UCC#2	4/16/2010	\$8,500.00	Hawkins
3/23/2010	\$8,500.00	Hawkins	4/17/2010	\$9,500.00	Hawkins
3/26/2010	\$8,500.00	Hawkins	4/19/2010	\$8,500.00	Hawkins
3/27/2010	\$1,600.00	UCC#2	4/21/2010	\$8,500.00	Hawkins
3/31/2010	\$8,500.00	Hawkins	4/22/2010	\$1,500.00	UCC#2
4/1/2010	\$8,500.00	UCC#2	4/29/2010	\$1,700.00	UCC#2
4/2/2010	\$8,500.00	Hawkins	4/30/2010	\$9,500.00	Hawkins
4/2/2010	\$8,000.00	UCC#2	5/1/2010	\$5,500.00	Hawkins
4/3/2010	\$9,000.00	UCC#2	<b>TOTAL:</b>	<b>\$180,000</b>	

84. Based on the above facts, I believe that there is probable cause to believe that ISREAL OWEN HAWKINS violated Title 15, United States Code, Section 77e(a), 77e(c) and 77x, and Title 18, United States Code, Section 2; and Title 31, United States Code, Section 5324(a)(3)

and Title 18, United States Code, Section 2.

FURTHER AFFIANT SAYETH NAUGHT.

/s/ Devin Fields  
Special Agent Devin Fields  
Department of the Treasury, IRS-CID

Subscribed and sworn to before me  
this 26<sup>th</sup> day of October, 2010

/s/ SARAH W. HAYS  
Sarah W. Hays  
United States Magistrate Judge