



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
FELLOWSHIP OF CHRISTIAN INVESTORS) Case No. AP-04-22
a.k.a. KOINONIA INVESTMENT CLUBS; and)
KELSEY GARMAN,)
)
Respondents.)

Serve at: 3510 E. Cooper Blvd.
Springfield, MO 65802

ORDER TO CEASE AND DESIST

On the 2nd day of March 2004, Mary Hosmer, Assistant Commissioner for the Securities Division, submitted a petition for a Cease and Desist Order. After reviewing the petition, the Commissioner issues the following findings of fact, conclusions of law and order:

FINDINGS OF FACT

1. The Fellowship of Christian Investors a.k.a. Koinonia Investment Clubs ("FCI") is an entity that offers investment programs managed by Kelsey Garman with an address of 3510 E. Cooper, Springfield, Missouri 65802.
2. Kelsey Garman ("Garman") purports to be a financial planner and manager of FCI with an address of 3510 E. Cooper, Springfield, Missouri 65802
3. As used in this Cease and Desist Order, the term "Respondents" refers to FCI and Garman.
4. On February 27, 2004, a Colorado resident ("CR") contacted the Missouri Securities Division and told a representative of the Division that CR and CR's spouse had invested with Garman in a Koinonia Income Account ("KIA"). CR learned of Garman and his investment programs around 1995 from a Christian broadcasting station.

5. CR stated that Garman contacted CR by telephone on February 24, 2004, and told CR that he would be sending CR a check for \$90,000, the value of CR's investment in KIA. Garman told CR that Satan was at work and that the Securities and Exchange Commission ("SEC") was investigating him and KIA. Garman told CR not to cash the \$90,000 check, but to send it back to Garman immediately because if CR did not send the check back, Garman, " would be picked up bodily and thrown into the slammer." Garman further told CR that his assets might already be frozen by the SEC.
6. On February 27, 2004, CR received a check for \$75,000 signed by Garman in the mail. CR did not understand why the check was for \$75,000 when Garman told CR by phone that the check would be for \$90,000, therefore CR contacted the Missouri Securities Division.
7. On February 27, 2004, a Division representative contacted Garman by telephone. Garman stated that he had been in Missouri for about six years and that he had about 4 or 5 Missouri investors. Garman would not give any further information.
8. On February 27, 2004, a Division representative found information on the Internet that stated that Garman has had a financial planning practice since 1983, first in Aurora, Colorado, and currently in Springfield, Missouri.
9. Garman purported to offer a threefold investment program through the Internet. The Internet advertisement stated, among other things, the following:
 - a. "The purpose of the *Fellowship of Christian Investors*, (emphasis in original) which I founded in 1984, has always been to help Christians manage and invest their money wisely, so that they might be able to give more to the work of God's Kingdom. Starting in 1987, we established a series of investment clubs as vehicles for achieving this purpose."
 - b. "We ask investors to become members of the *Fellowship of Christian Investors*. The first year cost is \$25 and annual renewal is \$12...we have designed a three-fold investment program to meet most of your investment needs from income to growth to speculative. We do this by pooling our money for higher returns and greater safety through investment clubs."
 - c. The three investment programs offered by FCI and Garman include the following "investment clubs":
 - i. Koinonia Income Account ("KIA") "was formed in April 1989 as an alternative to bank certificates of deposit and money market funds...to give savers and investors a better rate of return than they were getting at banks...Investors' money is pooled and invested in bond mutual funds, corporate bonds, preferred stocks and a few other income producing assets."

- ii. Koinonia 100/200 allows investors to pool funds to invest in stock options. Garman stated that the “option trader can make money when the market goes down as well as when it goes up. And he can do even better in a sideways market”
 - iii. Koinonia Kingdom Club allows investors to pool funds in an options trading program that requires a minimum \$1,000 investment and that divides monthly earnings on the account between the investor and a ministry picked by the investor.
 - d. Garman does all trading in the various programs offered by FCI and Garman.
- 10. The investments offered and/or sold by Respondents are investment contracts for the following reasons:
 - a. Investment of money: Investors pay money to participate in the investment programs.
 - b. Common enterprise: The money from the investors is pooled and invested in options, bond mutual funds, corporate bonds, preferred stocks and other income producing assets and the returns of the investors are interwoven with the promoter/managers and with other investors.
 - c. Expectation of profit: The investors are told to expect profits from various programs.
 - d. From the significant managerial or entrepreneurial efforts of others: The investors rely on the unique entrepreneurial abilities of Garman, who conducts all trading in the accounts. Any profits from the investment would be derived from the significant managerial or entrepreneurial efforts of Garman.
- 11. The programs offered by Respondents are investment contracts and, therefore, securities.
- 12. On February 28, 2004, a Colorado newspaper stated that the SEC filed a lawsuit in Federal District Court in Colorado against Garman and four Colorado partnerships under Garman’s control. The complaint alleges, among other things, the following:
 - a. The four listed partnerships under Garman’s control are: the Koinonia Investment Club II, Koinonia Income Account, Koinonia 100/200 and Koinonia Investment Club;
 - b. The complaint alleges that Garman misrepresented the funds’ historical performance and risk in the fund’s offering materials and on a related Web site; and

- c. The defendants consented to a preliminary injunction, a freeze of the funds' assets and the appointment of a receiver.
13. A check of the records maintained by the Missouri Commissioner of Securities confirmed no registration, granted exemption or notice filing indicating status as a "federal covered security" for any of the securities offered by the Respondents in the State of Missouri.
14. Respondents were not registered to offer and/or sell securities in the State of Missouri.
15. Respondents offered and/or sold unregistered, non-exempt securities to Missouri and Colorado residents.
16. The securities offered and/or sold by Respondents were not federal covered securities.
17. This Order is in the public interest.

CONCLUSIONS OF LAW

1. §409.401(o), RSMo, Cumulative Supp. 2002, includes "investment contracts" within the definition of a security. "Investment contract" within the definition of a security is an investment of money in a common enterprise with the expectation of profit from the significant managerial efforts of others. *State v. Reber*, 977 S.W.2d 934 (Mo.App.S.D. 1998); *State v. Kramer*, 804 S.W.2d 845 (Mo.App.E.D. 1991). The interests offered and/or sold by Respondents as described in the above findings of fact constitute securities.
2. §409.201(a), RSMo 2000, provides that it is unlawful for any person to transact business in this state as a broker-dealer or agent unless he is registered under Sections 409.101 to 409.419. The conduct described in the above findings of fact constitutes a violation of this section.
3. §409.201(c), RSMo 2000, provides that it is unlawful for any person to act as an investment adviser in this state unless the person is so registered as an investment adviser. The conduct described in the above findings of fact constitutes a violation of this section.
4. §409.201(d), RSMo 2000, provides that it is unlawful for any person to act as an investment adviser representative in this state unless the person is so registered as an investment adviser representative. The conduct described in the above findings of fact constitutes a violation of this section.
5. §409.301, RSMo 2000, provides that it is unlawful for any person to offer or sell any security in this state unless (1) it is registered under this act; (2) the security or transaction is exempted under section 409.402; or (3) it is a federal covered security. The conduct described in the above findings of fact constitutes a violation of this section.

6. §409.408(b), RSMo 2000 provides, in part, that:

[I]f the commissioner shall believe, from evidence satisfactory to him, that such person is engaged or about to engage in any of the fraudulent or illegal practices or transactions above in this subsection referred to, he may issue and cause to be served upon such person and any other person or persons concerned or in any way participating in or about to participate in such fraudulent or illegal practices or transactions, an order prohibiting such person and such other person or persons from continuing such fraudulent or illegal practices or transactions or engaging therein or doing any act or acts in furtherance thereof.

7. Transacting business as an unregistered broker-dealer, as described in the above findings of fact, constitutes an illegal practice under §409.408(b), RSMo 2000.
8. Transacting business as an unregistered agent, as described in the above findings of fact, constitutes an illegal practice under §409.408(b), RSMo 2000.
9. Transacting business as an unregistered investment adviser, as described in the above findings of fact, constitutes an illegal practice under §409.408(b), RSMo 2000.
10. Transacting business as an unregistered investment adviser representative, as described in the above findings of fact, constitutes an illegal practice under §409.408(b), RSMo 2000.
11. The offer or sale of unregistered securities, as described in the above findings of fact, constitutes an illegal practice under §409.408(b), RSMo 2000.
12. The Missouri Commissioner of Securities is empowered to issue such orders as he may deem just. §409.408(b), RSMo 2000.

ORDER

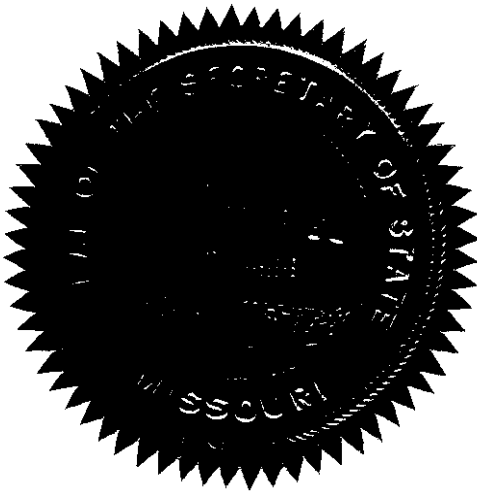
NOW, THEREFORE, it is hereby ordered that Respondents, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order are prohibited from:

- A. Offering or selling investments in Koinonia Income Account, Koinonia Kingdom Club and Koinonia 100/200.
- B. Violating §409.201(a), RSMo 2000, by transacting business as a broker-dealer or agent without an effective registration;

- C. Violating §409.201(a), RSMo 2000, by transacting business as an investment adviser or investment adviser representative without an effective registration;
- D. Violating §409.301, RSMo 2000 by offering or selling any security that is not registered, unless the security is a federal covered security or has an effective exemption from registration.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 9th DAY OF March, 2004.



MATT BLUNT
SECRETARY OF STATE

DOUGLAS M. OMMEN
COMMISSIONER OF SECURITIES