

IRVING L. FAUGHT
ADMINISTRATOR



MARY FALLIN
GOVERNOR

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES

MEMORANDUM

To: Irving L. Faught, Administrator

From: Melanie Hall, Deputy Administrator

Date: July 8, 2013

Re: ENFORCEMENT REPORT

Attached is the report of the enforcement activities of the Department for the months of May and June, 2013.

Attachment

[h/home/londonb/EnforcementReports/13_Enf-Reports_May-Jun_2013.doc](http://home/londonb/EnforcementReports/13_Enf-Reports_May-Jun_2013.doc)

**OKLAHOMA DEPARTMENT OF SECURITIES
ENFORCEMENT ACTIVITIES
MAY AND JUNE 2013**

		FY-13	FY-12
		YTD	YTD
I.	Enforcement Files		
	a. Enforcement Files Opened during the reporting period	80	99
	1. Securities Act	72	82
	2. Business Opportunity Sales Act	5	11
	3. Other	3	6
	b. Enforcement Files Closed during the reporting period	89	82
	c. Active Enforcement Files	238	251
II.	Actions Taken during the reporting period		
	a. Orders Initiating Investigation	4	0
	1. Securities Act	4	0
	2. Business Opportunity Sales Act	0	0
	b. Summary Orders	0	2
	1. Securities Act	0	2
	2. Business Opportunity Sales Act	0	0
	c. Notices of Opportunity for Hearing Served	8	16
	1. Securities Act-Notices	8	16
	i. Hearing Set	1	4
	ii. Hearings Held	0	1
	2. Business Opportunity Sales Act Notices	0	0
	i. Hearing Set	0	0
	ii. Hearings Held	0	0

		FY-13	FY-12
		YTD	YTD
d. Other Orders		28	34
1. Securities Act		28	34
2. Business Opportunity Sales Act		0	0
e. Public Undertakings/Agreements		15	10
1. Securities Act		15	10
2. Business Opportunity Sales Act		0	0
f. Confidential Settlement Agreements		0	0
1. Securities Act		0	0
2. Business Opportunity Sales Act		0	0
g. Letters of Caution		9	0
1. Securities Act		7	0
2. Business Opportunity Sales Act		2	0
g. Appeals from Final Orders		2	0
1. Securities Act		2	0
2. Business Opportunity Sales Act		0	0
h. Civil Penalties - Amounts Collected		\$133,513.49	\$31,324.44
1. Securities Act		\$133,513.49	\$31,324.44
2. Business Opportunity Sales Act		\$0	\$0
i. Administrative Costs - Amounts Collected		\$0	\$1,000
1. Securities Act		\$0	\$1,000
2. Business Opportunity Sales Act		\$0	\$0

		FY-13	FY-12
		YTD	YTD
	j. Civil Enforcement Activities		
	1. Securities Act		
	i. Subpoenas Issued	0	0
	ii. Civil Petitions Filed	2	2
	iii. Civil Trials Held	0	0
	iv. Criminal Referrals	2	0
	v. Civil Appeals Filed	0	0
	vi. Administrative or other Court Appearances (including pleadings filed)	16	45
	2. Business Opportunity Sales Act		
	i. Subpoenas Issued	0	0
	ii. Civil Petitions Filed	0	0
	iii. Civil Trials Held	0	0
	iv. Criminal Referrals	0	0
	v. Civil Appeals Filed	0	0
	vi. Administrative or other Court Appearances (including pleadings filed)	0	0
	k. Miscellaneous Activities		
	1. Public Information/Press Releases (copy attached)	0	0
	2. Trainings/Seminars Attended	23	8
	3. Coordinated Activities	0	0
	III. Inquiries and Complaints		
	a. Inquiries	48	62
	b. Referrals from Other Oklahoma Agencies	5	11
	c. Referrals from Out of State Agencies	3	4

Administrative Actions

SUMMARY

In the Matter of: Insights Now, LLC and Jerome L. DeFries
ODS File No. 13-006

On March 12, 2013, the Administrator issued an order to cease and desist, and a notice of opportunity for hearing, to Respondents. Respondents were ordered to cease and desist from engaging in acts, practices or a course of business constituting violations of the Oklahoma Uniform Securities Act of 2004 (Act). Respondent Insights Now, LLC (IN) is a dissolved limited liability company operating from Bonner Springs, Kansas, and Respondent Jerome L. Defries (DeFries) currently resides in Bonner Springs. In 2008, an Oklahoma resident (“Investor”) contacted the Respondents based on a referral. During the course of several telephone calls with Investor, in Oklahoma, DeFries represented that Respondents were earning a monthly compounded return of approximately 10%. Respondents and Investor entered into an unregistered “Joint Venture Contract” (“JVC”) that stated: Investor’s funds would be pooled with IN’s and any other investors’ funds for currency and other market trading; IN would use its best efforts to enhance pooled funds during trading; Investor would be apportioned a share of profits; Investor, upon written request and/or termination of the JVC, would receive any and all funds and/or profits from IN within 10 days; and IN would not be compensated from any trading and/or administrative fees. Over the course of a 13-month period, Investor invested \$301,800. Investors’ money was not used as represented by Defendants. Investor lost all but \$500 of her investment.

Respondents did not request a hearing. On May 8, the Administrator issued a final cease and desist order against Respondents.

In the Matter of: Rodney Larry Watkins, Jr., Southeast Investments, N.C., Inc. and
Frank H. Black
ODS File No. 12-058

On March 29, 2013, the Administrator of the Department issued a notice of opportunity for hearing on an Enforcement Division Recommendation (Recommendation) against Rodney Larry Watkins, Jr. (Watkins) of Tulsa, Oklahoma, Southeast Investments, N.C., Inc. of Charlotte, North Carolina, and Frank H. Black (Black) of Rock Hill, South Carolina, based on Watkins engaging in unethical practices. On August 22, 2012, Watkins voluntarily entered into an agreement (Agreement) with the Department providing for the issuance of an agreed order (Order) prohibiting Watkins from offering and selling securities for a period of nine months, retroactively beginning November 25, 2011 and ending August 26, 2012. On August 29, 2012, the Administrator signed the Agreement and issued the Order. However, between May 11, 2012 and September 19, 2012, while unregistered under the Act, Watkins solicited and/or effected, through his office in Tulsa, the purchase or sale of securities by customers living in Texas and Kansas. At the time Watkins entered into the Agreement on August 22, 2012, Watkins did not disclose to the Department that he had effected certain of the transactions during the period

covered by the terms of the Agreement. The Enforcement Division recommended that the Administrator issue an order denying the pending registration application of Respondent Watkins; barring him from engaging in the offer and/or sale of securities and association with a broker-dealer or investment adviser in any capacity; imposing a censure against Respondent Black; suspending the registration of Respondent Southeast for a period of one year; and imposing a civil penalty in the amount of \$65,000 against Respondent Southeast.

On April 15, the Respondents filed their answers and requested a hearing. A hearing date was set by order of the Administrator.

**In the Matter of: Arvest Asset Management and Thomas B. Harps
ODS File No. 12-082**

On May 15, 2012, the Administrator of the Department issued a notice of opportunity for hearing on an Enforcement Division Recommendation (Recommendation) against Arvest Asset Management (AAM) and Thomas B. Harps (Harps) (collectively, the "Respondents"). The recommendation alleged Respondents failed to enforce the written policies and procedures of AAM, in violation of NASD Conduct Rule 3010 and 660:11-5-42 of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (Rules).

In order to resolve this matter, an Agreement was entered into on May 9, 2013, between and among Respondents and the Administrator of the Department, wherein Respondents agreed that the agent registration under the Act of Harps be suspended for three (3) consecutive business days and AAM agreed to pay a civil penalty in the amount of \$20,000 to the Department. On May 9, 2013, the Administrator issued an order implementing the provisions of the agreement.

**In the Matter of: Gary Edward Hibbing
ODS File No. 13-046**

On March 26, 2013, the Administrator of the Department issued a notice of opportunity for hearing on an Enforcement Division Recommendation (Recommendation) against Gary Edward Hibbing (Hibbing) of Grove, Oklahoma. Hibbing is the subject of an order issued by the Insurance Commissioner of Oklahoma revoking his insurance licenses based on the "twisting" of annuities purchased and sold by two senior citizens. The Enforcement Division recommended an order barring Hibbing from registration and from association with a broker-dealer or investment adviser registered under the Act.

Respondent Hibbing failed to file an answer and request a hearing. On May 28, the Administrator issued an order barring Hibbing from registration, in any capacity under the Act, and from association with a broker-dealer or investment adviser registered under the Act.

**In the Matter of: Premier Capital Group, LLC and Steven Harry Lewis
ODS File No. 13-043**

An investigation was conducted by the Department into the activities of Premier Capital, LLC ("PC"), and Steven H. Lewis ("Lewis"). In order to resolve this matter, an agreement was entered into between and among PC, Lewis and the Administrator of the Department wherein Respondents agreed to the issuance of an order to cease and desist and payment of restitution in the amount of \$10,000 to an Oklahoma investor. On June 11, 2013, the Administrator issued an order to cease and desist.

**In the Matter of: Freeman Investment Capital Group, LLC and Michael H. Freeman
ODS File No. 13-024**

The Department received information indicating Michael H. Freeman and/or Freeman Investment Capital, LLC, may have been involved in the offer and/or sale of securities of Global Safety Labs, Inc., in and/or from Oklahoma. The matter was closed on May 2, 2013, with a letter cautioning the issuer to review and comply with the applicable provisions of the Act in connection with all offers and/or sales of securities in and/or from Oklahoma.

**In the Matter of: Martin Fluss
ODS File No. 13-025**

The Department received information indicating Martin Fluss and/or Penningtons National High School, LLC may have engaged in activities involving the offer and/or sale of business opportunities in the state of Oklahoma. The matter was closed on May 3, 2013, with a letter cautioning the issuer to review and comply with the applicable provisions of the Oklahoma Business Opportunity Sales Act (Business Opportunity Act) in connection with all offers and/or sales of business opportunities in the state of Oklahoma.

**In the Matter of: Wycliffe Trust and Vernon Twyman Jr.
ODS File No. 10-007**

On November 10, 2009, the Administrator of the Department issued an Order Initiating Investigation against Wycliffe Trust and Vernon Twyman Jr., both of Tulsa, Oklahoma. The Order was premised upon information received by the Department that violations of the Act and/or the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (Rules) may have occurred, in connection with the offer and/or sale of securities by Respondents.

The matter was closed on May 24, 2013, with a letter of caution to review and comply with the applicable provisions of the Act and the Rules in connection with activities in and/or from Oklahoma

**In the Matter of: Daniel Prechtel and Franchise Alliance, Inc.
ODS File No. 13-010**

The Department received information indicating Daniel Prechtel and/or Franchise Alliance, Inc. may have engaged in activities involving the offer and/or sale of business opportunities in and/or from Oklahoma. The matter was closed on June 28, 2013, with a letter of caution to review and comply with the applicable provisions of the Business Opportunity Act in connection with all offers and/or sales of business opportunities in the state of Oklahoma.

**In the Matter of: L. Dewayne Hall and Good Life Asset Strategies, LLC
ODS File No. 13-062**

The Department received information indicating L. Dewayne Hall and Good Life Asset Strategies, LLC, registered under the Act as an investment adviser representative and investment adviser respectively, may have distributed sales literature to prospective investors without first filing the sales literature with the Department. The matter was closed on June 28, 2013, with a letter of caution to review and comply with the applicable provisions of the Act in connection with the distribution of sales literature to prospective investors, including clients or prospective clients.

Civil Actions

SUMMARY

**Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator v.
Jasper E. Bidy, IV
Civil Case No. CV-2013-911**

On April 29, 2013, the Department filed a Petition for Permanent Injunction and Other Equitable Relief in the District Court of Oklahoma County against Jasper E. Bidy IV (Bidy) alleging violations of Sections 1-403 and 1-501 of the Act and a previous order by the Administrator wherein Bidy's registration as an investment adviser representative under the Act was revoked. In addition, Respondent Bidy was indefinitely barred from transacting business in and/or from the state of Oklahoma as an investment adviser, investment adviser representative, broker-dealer, and/or agent.

Defendant Bidy submitted a Stipulation and Consent to the Department wherein Defendant consented to make restitution in the amount of \$25,000 to an Oklahoma investor. Bidy also consented to the entry of a final judgment and permanent injunction and waived any right to appeal the order. The Department had no objection to the stipulation and submitted the order to the Court. On May 16, 2013, Judge Barbara Swinton issued an order against Defendant Bidy permanently enjoining him from transacting business in and/or from Oklahoma as an issuer, broker-dealer, broker-dealer agent, investment adviser and/or investment adviser representative, or otherwise offering and/or selling securities. The Court will retain jurisdiction for the purpose of enforcement of the stipulation and the order.

**Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator v.
RAF Operating, LLC *aka* Big Oil, LLC
Civil Case No. CV-2012-2629**

On October 22, 2012, the Administrator issued a subpoena duces tecum to Big Oil, LLC, now known as RAF Operating LLC, an Oklahoma limited liability company, in connection with ODS File No. 12-067. Service of the subpoena was effected but no response was received. On November 27, 2012, the Department filed an application in the District Court of Oklahoma County against RAF Operating, LLC, for an order to enforce the administrative subpoena.

On February 21, 2013, a hearing was held. Judge Roger Stuart granted the application and an order was issued requiring compliance with the Department's subpoena no later than March 6th. A show-cause hearing was set for March 28th regarding payment of a civil penalty.

On March 28, a show-cause hearing was held wherein Judge Stuart ordered Defendant to pay a civil penalty of \$5,000 to the Department no later than April 29, 2013.

On May 22, the Department filed an Application for Contempt, Injunctive Relief, Civil Penalty, Writ of Attachment, Asset Freeze and Other Relief against Defendant in connection with the failure to comply with the subpoena duces tecum and failure to pay the civil penalty.

Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator v. 2001 Trinity Fund, L.L.C. and Robert Arrowood
Civil Case No. CJ-2012-6164

On October 10, 2012, the Department filed a Petition for Permanent Injunction and Other Equitable Relief in the District Court of Oklahoma County against 2001 Trinity Fund, L.L.C. (2001 Trinity Fund) and Robert Arrowood (Arrowood) of Norman, alleging violations of Sections 1-301, 1-402 and 1-501 of the Act, in connection with the offer and sale of promissory notes to investors. Investor proceeds, totaling over \$450,000, were to be used to buy oil and gas leases for eventual resale. The proceeds were not used as represented. On October 23, L. Win Holbrook, bankruptcy trustee, filed his entry of appearance as counsel for Defendant 2001 Trinity Fund and requested an extension of time to file an answer. During November 2012, answers to the Department's petition were filed by the Defendants. On November 20, the Department received discovery requests from Defendant Arrowood.

On February 5, 2013, Defendant Arrowood filed a motion to compel the Department to produce certain documents withheld in discovery on the basis of privilege.

On March 7, 2013, the Department filed its response to Defendant Arrowood's motion to compel. On March 27, the Defendant filed his reply to the Department's response.

On June 5, 2013, Defendant Arrowood filed a motion for summary judgment against the Department. On June 24, the Department filed its response to the motion.

Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator v. David Warren Harris
Civil Case No. CJ-2012-2604

In May of 2012, the Department filed an action in Oklahoma County District Court seeking to enjoin David Harris, a resident of Yukon, Oklahoma, from transacting business in and/or from the state of Oklahoma as an issuer, issuer agent, broker-dealer, broker-dealer agent, investment adviser, and/or investment adviser representative or otherwise offering and/or selling securities in and/or from the state of Oklahoma. The action is based on the offer and sale of securities in the nature of working interests in oil and gas wells of a Texas entity. The Department's allegations are that Harris offered and sold unregistered securities and acted as an unregistered issuer agent. On December 27, 2012, Harris filed a motion to dismiss the action for lack of jurisdiction. A hearing date was set.

In February of 2013, Judge Barbara Swinton entered an order denying Harris' motion to dismiss.

Subsequently, Defendant Harris submitted a Stipulation and Consent to the Department wherein Defendant consented to pay a civil penalty, in the sum of \$1,000. Defendant also consented to the entry of a final judgment and permanent injunction and waived any right to appeal the order. The Department had no objection to the stipulation and submitted the order to the Court. On June 28, 2013, Judge Swinton issued an order against Defendant Harris permanently enjoining him from transacting business in and/or from Oklahoma as an issuer, broker-dealer, broker-dealer agent, investment adviser and/or investment adviser representative, or otherwise engaging in the offer and/or sale of securities. The Court will retain jurisdiction for the purpose of enforcement of the stipulation and the order.