

IRVING L. FAUGHT
ADMINISTRATOR



MARY FALLIN
GOVERNOR

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES

MEMORANDUM

To: Irving L. Faught, Administrator

From: Melanie Hall, Deputy Administrator mh

Date: March 10, 2014

Re: ENFORCEMENT REPORT

Attached is the report of the enforcement activities of the Department for the months of January and February, 2014.

Attachment

h/home/londonb/EnforcementReports/14_Enf-Reports_Jan-Feb_2014.doc

**OKLAHOMA DEPARTMENT OF SECURITIES
ENFORCEMENT ACTIVITIES
JANUARY AND FEBRUARY 2014**

		FY-14		FY-13
		YTD		YTD
I.	Enforcement Files			
	a. Enforcement Files Opened during the reporting period	48		50
	1. Securities Act	41		46
	2. Business Opportunity Sales Act	7		2
	3. Other	0		2
	b. Enforcement Files Closed during the reporting period	72		52
	c. Active Enforcement Files	213		249
II.	Actions Taken during the reporting period			
	a. Orders Initiating Investigation	1		3
	1. Securities Act	1		3
	2. Business Opportunity Sales Act	0		0
	b. Summary Orders	0		0
	1. Securities Act	0		0
	2. Business Opportunity Sales Act	0		0
	c. Notices of Opportunity for Hearing Served	5		4
	1. Securities Act-Notices	5		4
	i. Hearing Set	0		0
	ii. Hearings Held	0		0
	2. Business Opportunity Sales Act Notices	0		0
	i. Hearing Set	0		0
	ii. Hearings Held	0		0

		FY-14	FY-13
		YTD	YTD
d. Other Orders		16	20
1. Securities Act		16	20
2. Business Opportunity Sales Act		0	0
e. Public Undertakings/Agreements		3	12
1. Securities Act		3	12
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		2	3
1. Securities Act		2	3
2. Business Opportunity Sales Act		0	0
g. Appeals from Final Orders		0	2
1. Securities Act		0	2
2. Business Opportunity Sales Act		0	0
h. Civil Penalties - Amounts Collected		\$25,000	\$32,413.49
1. Securities Act			\$32,413.49
2. Business Opportunity Sales Act		\$25,000	\$0
i. Administrative Costs - Amounts Collected		\$0	\$0
1. Securities Act		\$0	\$0
2. Business Opportunity Sales Act		\$0	\$0

		FY-14	FY-13
		YTD	YTD
	j. Civil Enforcement Activities		
	1. Securities Act		
	i. Subpoenas Issued	0	0
	ii. Civil Petitions Filed	4	1
	iii. Civil Trials Held	0	0
	iv. Criminal Referrals	0	2
	v. Civil Appeals Filed	0	0
	vi. Administrative or other Court Appearances (including pleadings filed)	23	5
	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)	1	0
	2. Trainings/Seminars Attended	9	16
	3. Coordinated Activities	0	0
	III. Inquiries and Complaints		
	a. Inquiries	41	41
	b. Referrals from Other Oklahoma Agencies	5	4
	c. Referrals from Out of State Agencies	2	6

Administrative Actions

SUMMARY

In the Matter of: Wealth Solutions LLC and Eric Lamar Smith
ODS File No. 12-078

On December 27, 2013, the Administrator issued an order to cease and desist, and a notice of opportunity for hearing, to Wealth Solutions, LLC (Wealth Solutions) and Eric Lamar Smith (Smith) (collectively, "Respondents"), both of Tulsa. Respondents were ordered to cease and desist from offering and selling unregistered securities, making untrue statements and omissions of material fact in connection with the offer and sale of securities, and transacting business as an unregistered broker-dealer, agent, investment adviser, and/or investment adviser representative. Wealth Solutions, through Smith, offered and sold promissory notes to Oklahoma residents (Investors). Investors were promised a return of the principal invested with interest of twelve percent (12%) if paid within one year from the date of the purchase of the Notes, or eighteen percent (18%) if paid over a period of eighteen months from the date of the purchase of the Notes. To fund Investors' purchases of the Notes, Respondents persuaded Investors to borrow money from annuities and/or to withdraw funds from insurance policies that Respondents had previously sold to Investors. Respondents represented that Investors could access the funds previously invested with Respondents without incurring penalties. Subsequently, Respondents offered and/or sold "Promissory Note Amendments" (Amended Notes), "Seed Capital Participation Program" interests (Seed Capital Interests), "Business Partnership Agreements" (Partnership Agreements), and "Income Revenue Agreements" (Revenue Agreements). The Notes, Amended Notes, Seed Capital Interests, Partnership Agreements and Revenue Agreements have not been registered under the Act. Respondents obtained in excess of \$500,000 from Investors. Investors did not receive the promised returns.

On January 15, 2014, the Administrator issued a final cease and desist order against Respondents.

In the Matter of: Kenneth J. Decker, The Harber Group (aka The Harber Group Ltd.),
and Decker & Associates
ODS File No. 12-049

On January 22, 2014, the Administrator issued an order to cease and desist, and a notice of opportunity for hearing, to Kenneth J. Decker ("Decker"), The Harber Group (aka The Harber Group Ltd.) ("Harber") and Decker & Associates ("D&A") (collectively, "Respondents") of Wyandotte, Oklahoma. Respondents were not registered in any capacity under the Act and were ordered to cease and desist from offering and/or selling unregistered securities in violation of the Act. In December 2012, Respondents offered interests in D&A and Harber to an Oklahoma resident (Investor). In January 2013, the Investor bought a Unit for a total price of Twelve Thousand Five Hundred Dollars (\$12,500).

Civil Actions

SUMMARY

**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, Oklahoma, 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 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. On July 8, 2013, Defendant Arrowood filed his reply to the Department's response to the motion. On July 18, Defendant filed a motion to enter. On August 6, Judge Roger Stuart entered orders denying the Defendant's motion to compel and motion for summary judgment.

On September 10, Defendant Arrowood filed a notice to take the deposition of the Administrator. On September 17, the Department filed a motion to quash Defendant Arrowood's deposition notice and to request a protective order. On September 20, the Defendant filed his motion for a protective order. On September 27, the Department filed its response to Defendant's second motion. On September 30, Defendant filed his response to the Department's motion.

On November 13, Judge Stuart granted the Department's motion to quash the deposition notice and denied Arrowood's motion for a protective order.

On December 12, Defendant Arrowood filed a second motion for summary judgment thereby renewing his request to dismiss the case against him.

On January 3, 2014, the Department filed its response to Arrowood's renewed motion. On January 17, Judge Stuart issued an order continuing the pretrial conference to April. On January 24, Judge Stuart granted Arrowood's motion requesting that the hearing on his motion be stricken and reset. On January 30, the Department received a discovery request for documents from Arrowood.