

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: May 6, 2014*

*Re: ENFORCEMENT REPORT*

Attached is the report of the enforcement activities of the Department for the months of March and April, 2014.

Attachment

[h/home/londonb/EnforcementReports/14\\_Enf-Reports\\_Mar-Apr\\_2014.doc](http://home/londonb/EnforcementReports/14_Enf-Reports_Mar-Apr_2014.doc)

**OKLAHOMA DEPARTMENT OF SECURITIES  
ENFORCEMENT ACTIVITIES  
MARCH AND APRIL 2014**

		<b>FY-14</b>	<b>FY-13</b>
		<b>YTD</b>	<b>YTD</b>
<b>I.</b>	<b>Enforcement Files</b>		
	a. Enforcement Files Opened during the reporting period	62	64
	1. Securities Act	54	59
	2. Business Opportunity Sales Act	8	3
	3. Other	0	2
	b. Enforcement Files Closed during the reporting period	96	62
	c. Active Enforcement Files	202	253
<b>II.</b>	<b>Actions Taken during the reporting period</b>		
	a. Orders Initiating Investigation	1	4
	1. Securities Act	1	4
	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	8	8
	1. Securities Act-Notices	8	8
	i. Hearing Set	1	0
	ii. Hearings Held	0	0
	2. Business Opportunity Sales Act Notices	0	0
	i. Hearing Set	0	0
	ii. Hearings Held	0	0

		<b>FY-14</b>	<b>FY-13</b>
		<b>YTD</b>	<b>YTD</b>
d. Other Orders		23	24
1. Securities Act		23	24
2. Business Opportunity Sales Act		0	0
e. Public Undertakings/Agreements		5	13
1. Securities Act		5	13
2. Business Opportunity Sales Act		0	0
f. Confidential Settlement Agreements		2	0
1. Securities Act		2	0
2. Business Opportunity Sales Act		0	0
g. Letters of Caution		5	4
1. Securities Act		5	4
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		\$0	\$112,513.49
1. Securities Act			\$112,513.49
2. Business Opportunity Sales Act		\$0	\$0
i. Administrative Costs - Amounts Collected		\$0	\$0
1. Securities Act		\$0	\$0
2. Business Opportunity Sales Act		\$0	\$0

		<b>FY-14</b>	<b>FY-13</b>
		<b>YTD</b>	<b>YTD</b>
	j. Civil Enforcement Activities		
	1. Securities Act		
	i. Subpoenas Issued	0	0
	ii. Civil Petitions Filed	5	2
	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)	36	9
	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	12	18
	3. Coordinated Activities	0	0
<b>III.</b>	<b>Inquiries and Complaints</b>		
	a. Inquiries	51	42
	b. Referrals from Other Oklahoma Agencies	5	5
	c. Referrals from Out of State Agencies	3	6

Administrative Actions

SUMMARY

**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 the following sequence of events. 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. This matter was based on certain unethical practices by Watkins while associated with another broker-dealer. On August 29, 2012, the Administrator signed the Agreement and issued the Order. However, the Department subsequently learned that between May 11, 2012 and September 19, 2012, while unregistered under the Act, Watkins solicited and/or effected 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 the transactions during the period covered by the terms of the Agreement. The Enforcement Division recommended that the Administrator deny the pending registration application of Watkins; bar him from engaging in the offer and/or sale of securities and association with a broker-dealer or investment adviser in any capacity; impose a censure against Black; suspend the registration of Southeast for a period of one year; and impose a civil penalty in the amount of \$65,000 against Southeast.

On April 15, 2013, the Respondents filed their answers and requested a hearing. A hearing date was set by order of the Administrator.

On April 30, 2014, an agreement was entered into between Respondent Watkins and the Administrator wherein Watkins agreed to retain an independent compliance consultant for a period of three (3) years. Watkins agreed not to exercise discretionary authority in any broker-dealer or investment adviser client account for a period of five (5) years. Watkins also agreed to update his Form U-4 by causing an amendment to be filed by Southeast on the Central Registration Depository System disclosing his current office location, residential address, accurate reflections of all outside business activities, and this action by the Department. Watkins' pending registration as an agent of Southeast was made effective.

**In the Matter of:     Kenneth J. Decker, The Harber Group (aka The Harber Group Ltd.),  
                                  and Decker & Associates  
                                  ODS File No. 14-002**

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 sold a security to an investor for a purchase price of Twelve Thousand Five Hundred Dollars (\$12,500). 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.

Respondents did not request a hearing. On March 5, 2014, the Administrator issued a final cease and desist order against Respondents.

**In the Matter of:     Jason Wheat Beard  
                                  ODS File No. 14-006**

On March 31, 2014, the Administrator issued an order to cease and desist, and a notice of opportunity for hearing, to Jason Wheat Beard (“Wheat”) of Tulsa, Oklahoma. Respondent Beard was not registered in any capacity under the Act and was ordered to cease and desist from offering and/or selling unregistered securities in violation of the Act. The securities involved an automobile auction business. In October 2011, Beard offered and sold a promissory note to an Oklahoma resident (Investor) with the promise of a return of the principal invested plus 5% of the average net monthly profit of the business. In the event the business failed, Beard promised to continue to make monthly payments to the Investor, including principal and interest of 6%, with funds from another business. Beard also represented the note to be guaranteed by a life insurance policy.

**In the Matter of:     Thomas Cunningham and Savoy Jewels, Inc.  
                                  ODS File No. 14-009**

On March 7, 2014, the Administrator issued an order to cease and desist, and a notice of opportunity for hearing, to Thomas Cunningham (“Cunningham”) and Savoy Jewels, Inc. (“Savoy”) (collectively, “Respondents”), both of California. 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 July 2013, Respondents offered shares of common stock in Savoy to an Oklahoma resident (Investor). In August 2013, the Investor received a private placement memorandum, subscription agreement and other correspondence (the “Offering Documents”) from Savoy. The Offering Documents identified Cunningham as the president of Savoy.

Respondents did not request a hearing. On April 30, 2014, the Administrator issued a final cease and desist order against Respondents.

**In the Matter of:     Hammons, Jim J.  
                              ODS File No. 14-017**

On April 30, 2014, the Administrator issued a notice of opportunity for hearing on an Enforcement Division Recommendation (Recommendation) against Jim J. Hammons (Hammons) of Tulsa, Oklahoma. The Recommendation alleged that Hammons offered and/or sold a security in the nature of an investment contract to an Oklahoma resident, in violation of Sections 1-501 and 1-502 of the Act. Hammons breached his fiduciary duty to the Oklahoma resident and made false statements to his associated broker-dealer and investment adviser and to the Department and FINRA, thereby engaging in dishonest or unethical practices in the securities business.

**In the Matter of:     Heritage Financial Advisors Ltd., Co.  
                              ODS File No. 12-026**

This matter was referred by the Examinations Division following an on-site investment adviser examination of Heritage Financial Advisors Ltd., Co. The examination raised issues relating to the maintenance of books and records. Heritage and its investment adviser representative, Tucker Dale Wilson, later withdrew their registrations under the Act. The matter was closed on March 10, 2014, with a letter of caution to Wilson not to engage in any future act, practice or course of business that would constitute a violation of the Act and/or the Rules.

**In the Matter of:     Hines, Melissa  
                              ODS File No. 14-003**

The Department received information from the Oklahoma Attorney General in July, 2013 concerning Melissa Hines and her offer of stock for sale through a website. Ms. Hines provided information to the Department on a Tony Ray for whom she agreed to put a link to his company's website on her Facebook page to advertise the sale of his companies' products and the opportunity to purchase stock. Mr. Ray represented that he never raised any money from stock sales and that he had taken the website down. The matter was closed on March 7, 2014, with letters of caution to Ms. Hines and Mr. Ray to review and comply with the applicable provisions of the Act in the future.

**In the Matter of:     Wheelhouse Securities Corp.  
                              ODS File No. 14-043**

Between April 1, 2012, and February 10, 2014, Wheelhouse Securities Corp. (Wheelhouse) employed and/or associated with two agents who transacted business on its behalf without benefit of registration under the Act. On April 22, 2014, an agreement was entered into between Wheelhouse and the Administrator wherein Wheelhouse agreed to refund all commissions and other remuneration it received including, but not limited to, the commissions paid to its agents, in connection with all Oklahoma customer accounts assigned to the two agents during the period in question. Wheelhouse also agreed to revise its written supervisory

procedures to ensure that an agent is properly registered under the Act before the agent is assigned to a new or existing account of an Oklahoma accountholder.

Civil Actions

SUMMARY

**U.S. Commodity Futures Trading Commission and the Oklahoma Department of Securities  
*ex rel.* Irving L. Faught, Administrator v.  
Prestige Ventures Corp., Federated Management Group, Inc., Kenneth Wayne Lee and  
Simon Yang *aka* Simon Chen, Defendants  
Sheila M. Lee, David A. Lee and Darren Lee, Relief Defendants  
Civil Case No. 09-CV-1284**

The Department and the U.S. Commodity Futures Trading Commission filed a joint complaint in the U.S. District Court for the Western District of Oklahoma against the Respondents for violations of the Commodity Exchange Act and the Oklahoma Securities Act. The Respondents had offered and sold in excess of \$11 million in interests in commodity pools to at least 140 investors. A receiver was appointed at the Plaintiffs' request. In October of 2010, Judge Russell granted summary judgment for the Plaintiffs as to liability and later ordered disgorgement and restitution. Respondents appealed to the Tenth Circuit, which affirmed the summary judgment. In May of 2012, Judge Russell approved a distribution by the Receiver in the amount of \$300,000. On August 24, 2012, the Receiver filed his final report with the Court. On September 18, Judge Russell granted the Receiver's final application for compensation and reimbursement of expenses.

On September 20, 2013, the Receiver filed a motion to dissolve the receivership. On September 20, the Department filed its notice of non-opposition to the Receiver's motion. On October 15, Judge Russell granted the Receiver's motion.

On March 24, 2014, the Department filed a Statement of Judgment against Debtor Simon Yang *aka* Xiao Yang *aka* Simon Chen in the amount of \$133,000.

**Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator v.  
Jasmine, Inc.; Oklahoma Energy Exchange, LLC; Harrisburg Prospect Lease Fund, LLC;  
Gates Oil & Gas, Ltd.; Harrisburg 2 Prospect Lease Fund, LLC; Jimmy W. Gray;  
Greg L. Gray; Michael K. Gray; and Lance P. Bowman  
Civil Case No. CJ-2013-5023**

On September 9, 2013, the Department filed a Petition for Permanent Injunction and other Relief in the District Court of Oklahoma County against the above-named Defendants alleging violations of Sections 1-301, 1-402 and 1-501 of the Act. The Department also filed an application for a temporary restraining order, an asset freeze, an accounting and a temporary injunction. On the same date, Judge Patricia Parrish, for Judge Barbara Swinton, issued a

temporary restraining order, an order for an asset freeze as to the business entities, and an order for an accounting. On September 30, a hearing was held wherein Judge Swinton entered an agreed order appointing L. Vance Brown (Brown) as the Receiver for Defendants Jasmine, Inc. (Jasmine), Gates Oil & Gas, Ltd. (Gates), and Harrisburg 2 Prospect Lease Fund, LLC (Harrisburg 2). She also issued a temporary injunction against Defendants Jasmine, Gates, Harrisburg 2, Jimmy Gray, Michael Gray and Lance Bowman. On October 17, Judge Swinton entered an order appointing Brown as the Receiver for Defendants Oklahoma Energy Exchange, LLC and Harrisburg Prospect Lease Fund, LLC. On October 23, Judge Swinton entered an agreed order vacating the asset freeze as to the entities subject to the receivership. Judge Swinton also issued a temporary injunction against Defendants Oklahoma Energy Exchange, LLC (OEE) and Harrisburg Prospect Lease Fund, LLC.

On April 1, 2014, the Administrator and Defendant Bowman agreed to the entry of an Agreed Judgment wherein Bowman is restrained and enjoined from, directly or indirectly, participating in or facilitating, the offer and/or sale of any security in and/or from Oklahoma for a one-year period beginning March 31, 2014 through March 31, 2015. Defendant Bowman agreed to disclaim and relinquish all legal and equitable right, title, claim, or interest in Jasmine, Inc., Oklahoma Energy Exchange, LLC, Harrisburg Prospect Lease Fund, LLC, Gates Oil & Gas, LTD, and Harrisburg 2 Prospect Lease Fund, LLC.

**Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator v. McKroll Capital International LLC, and Carl C. McKittrick Sr. and Carl C. McKittrick II Civil Case No. CJ-2013-6552**

On November 27, 2013, the Department filed a Petition for Permanent Injunction and Other Equitable Relief in the District Court of Oklahoma County against McKroll Capital International LLC (McKroll), located in Broken Arrow, Oklahoma, and Carl C. McKittrick Sr. (McKittrick Sr.) and Carl C. McKittrick II (McKittrick II), both of Coweta, Oklahoma, alleging violations of Sections 1-301, 1-402 and 1-501 of the Act, in connection with the issuance, offer, and/or sale of securities in and/or from Oklahoma. Defendants were in the business of providing funding and development services to businesses and entrepreneurs. Such securities were in the nature of a promissory note (Note) and four (4) loan agreements (Agreements). The investment proceeds, totaling in excess of \$500,000, were not used as represented.

On March 28, 2014, a hearing was held on the Department's motion for default judgment filed against Defendants on February 28, 2014. Judge Roger H. Stuart granted the motion and entered an order of permanent injunction. Judge Stuart ordered Defendants to pay restitution in the amount of \$180,000 and each Defendant to pay a civil penalty in the amount of \$50,000.

On April 30, 2014, the Department filed a Statement of Judgment against Carl C. McKittrick II and Carl McKittrick in favor of the Department for the benefit of the investors in the amount of \$180,000 and in favor of the Department in the amount of \$50,000 for each individual.

**Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator v.  
Bruce J. Scambler  
Civil Case No. CJ-2014-1346**

On March 7, 2014, the Department filed a Petition for Permanent Injunction and Other Equitable Relief in the District Court of Oklahoma County against Bruce J. Scambler (Scambler), of Nichols Hills, Oklahoma, alleging Scambler and an issuer under his control had offered and sold securities in and from Oklahoma in violation of a Cease and Desist Order issued by the Administrator on June 11, 2009. On March 13, Jeffrey D. Black, of the Bonham & Howard law firm, filed his entry of appearance as counsel for Scambler.

**Other Matters**

**SUMMARY**

**In the Matter of:     Pocket Oil, LLC  
                              ODS File No. 11-052**

In February of 2011, this file was opened based on a referral from the Oklahoma Attorney General's Office involving a Texas resident who invested \$20,000 in an oil and gas project with Pocket Oil LLC and "Carl" Whitaker. In conducting its investigation, the Department suspected that "Carl" Whitaker was actually an alias being used by Oklahoma resident Raymond Whitaker (Whitaker). The Department issued subpoenas for bank records that, along with other identifiers, confirmed the use of the alias.

The Department subsequently became aware of felony charges for which Whitaker was serving a suspended sentence. Whitaker was originally charged with over 200 counts of embezzlement and racketeering. He pled guilty in February, 2009, and received 2 five-year suspended sentences to run consecutively. He was ordered to pay restitution. Within a year after the sentencing, Whitaker began soliciting new investors using new identities. At least ten investors provided over \$150,000 to Whitaker while he was serving the suspended sentences. The Department referred the matter to Assistant Attorneys General Charles Rogers and George Burnett.

Prosecutors filed an application to accelerate the suspended sentence of Whitaker. Whitaker entered a plea of guilty in August of 2013, and was later sentenced to five years in prison followed by probation. Whitaker was taken into custody to begin serving the sentence on November 19, 2013.

On April 8, 2014, the Oklahoma Attorney General's office mailed checks for restitution made by Whitaker in the sum of \$84,120.