

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: September 8, 2015*

*Re: ENFORCEMENT REPORT*

Attached is the report of the enforcement activities of the Department for the months of July and August, 2015.

Attachment

h/home/londonb/EnforcementReports/15\_Enf-Reports\_Jul-Aug\_2015.doc

**OKLAHOMA DEPARTMENT OF SECURITIES  
ENFORCEMENT ACTIVITIES  
JULY AND AUGUST 2015**

		<b>FY-16</b>		<b>FY-15</b>
		<b>YTD</b>		<b>YTD</b>
<b>I.</b>	<b>Enforcement Files</b>			
	a. Enforcement Files Opened during the reporting period	10		20
	1. Securities Act	9		19
	2. Business Opportunity Sales Act	1		0
	3. Other	0		1
	b. Enforcement Files Closed during the reporting period	13		38
	c. Active Enforcement Files	181		171
<b>II.</b>	<b>Actions Taken during the reporting period</b>			
	a. Administrative Subpoenas	9		0
	1. Securities Act	9		0
	2. Business Opportunity Sales Act	0		0
	b. Orders Initiating Investigation	0		0
	1. Securities Act	0		0
	2. Business Opportunity Sales Act	0		0
	c. Summary Orders	0		0
	1. Securities Act	0		0
	2. Business Opportunity Sales Act	0		0
	d. Notices of Opportunity for Hearing Served	2		4
	1. Securities Act-Notices	2		3
	i. Hearing Set	0		1
	ii. Hearings Held	0		0

		<b>FY-16</b>	<b>FY-15</b>
		<b>YTD</b>	<b>YTD</b>
	2. Business Opportunity Sales Act Notices	0	1
	i. Hearing Set	0	0
	ii. Hearings Held	0	0
	e. Other Orders	4	10
	1. Securities Act	4	9
	2. Business Opportunity Sales Act	0	1
	f. Public Undertakings/Agreements	2	0
	1. Securities Act	2	0
	2. Business Opportunity Sales Act	0	0
	g. Confidential Settlement Agreements	0	0
	1. Securities Act	0	0
	2. Business Opportunity Sales Act	0	0
	h. Letters of Caution	2	4
	1. Securities Act	2	4
	2. Business Opportunity Sales Act	0	0
	i. Appeals from Final Orders	0	0
	1. Securities Act	0	0
	2. Business Opportunity Sales Act	0	0
	j. Civil Penalties - Amounts Collected	\$0	\$127,882.56
	1. Securities Act		\$127,882.56
	2. Business Opportunity Sales Act	\$0	\$0
	k. Administrative Costs - Amounts Collected	\$0	\$0
	1. Securities Act	\$0	\$0
	2. Business Opportunity Sales Act	\$0	\$0

		<b>FY-16</b>	<b>FY-15</b>
		<b>YTD</b>	<b>YTD</b>
	<b>I. Civil Enforcement Activities</b>		
	<b>1. Securities Act</b>		
	i. Subpoenas Issued	0	0
	ii. Civil Petitions Filed	0	1
	iii. Civil Trials Held	0	0
	iv. Criminal Referrals	1	0
	v. Civil Appeals Filed	0	0
	vi. Administrative or other Court Appearances (including pleadings filed)	11	5
	<b>2. Business Opportunity Sales Act</b>		
	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
	<b>m. Miscellaneous Activities</b>		
	1. Public Information/Press Releases (copy attached)	0	0
	2. Trainings/Seminars Attended	1	2
	3. Coordinated Activities	0	0
	<b>III. Inquiries and Complaints</b>		
	<b>a. Inquiries</b>	8	8
	<b>b. Referrals from Other         Oklahoma Agencies</b>	1	0
	<b>c. Referrals from Out         of State Agencies</b>	0	0

Administrative Actions

SUMMARY

**In the Matter of: Billy Jack Cowan**  
**ODS File No. 15-049**

An investigation was conducted by the Department into the activities of Billy Jack Cowan (Cowan) of Norman, Oklahoma. From February 3, 2006, until December 19, 2014, Cowan was registered under the Oklahoma Uniform Securities Act of 2004 (“Act”) as an agent of Raymond James Financial Services, Inc. (“Raymond James”), a registered broker-dealer. During the same time period, Cowan was also registered under the Act as an investment adviser representative of, first, Raymond James and, then, an investment adviser affiliated with Raymond James called Raymond James Financial Services Advisors, Inc. In December 2014, Cowan was discharged from Raymond James and its affiliated investment adviser for violating Raymond James’ internal policies by using discretion in a customer account without the customer’s prior written authorization and by using text messaging for a business purpose. The use of discretionary power in a customer’s account without the customer’s prior written authorization constitutes an unethical practice in the securities business under Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (“Rules”). In resolution of this matter, an agreement was entered into between Cowan and the Administrator of the Department wherein Cowan agreed to an order of censure and, in the event he becomes registered under the Act as an agent of a broker-dealer in the future, such registration will be conditioned upon Respondent being subject to a two-year heightened supervision plan by the broker-dealer that would include, but not be limited to, a prohibition against exercising any discretionary power in customer accounts. The heightened supervision plan must be approved by the Department in advance of its implementation. On July 14, the Administrator issued an Order of Censure against Cowan.

**In the Matter of: Tonya M. White**  
**ODS File No. 15-064**

On June 19, 2015, the Administrator issued a notice of opportunity for hearing on an Enforcement Division Recommendation (Recommendation) against Tonya M. White (White) of Oklahoma City, Oklahoma. The Department alleged that White engaged in dishonest and unethical practices while registered under the Act as an agent and investment adviser representative of Edward Jones from February 7, 2011, through March 26, 2015. White was terminated from Edward Jones on March 5, 2015, after she admitted to calling third parties and impersonating clients in order to facilitate retirement account rollovers from the third parties to Edward Jones.

On August 3, an agreement was entered into between White and the Administrator of the Department wherein White agreed to a bar from registration in any capacity under the Act and from association with a broker-dealer or investment adviser registered under the Act for four years. After the four years, White may reapply for registration under Oklahoma’s securities laws

by retaking and passing the applicable examination(s) for the desired categories of registration. Any future application by White for registration will be subject to Section 1-411 of the Act or any successor provision(s) in Oklahoma's securities laws relating to the denial, revocation, suspension, withdrawal, restriction, condition, and/or limitation of registration. On August 3, the Administrator issued a final order implementing the provisions of the Agreement. On August 12, the Administrator issued an order to cease and desist, and a notice of opportunity for hearing, to Kristin L. Dunning (Dunning) of Newcastle, Oklahoma. Dunning was associated with Edward Jones from April 23, 2001, through August 25, 2005, and April 11, 2007, through March 6, 2015, but had never been registered under the Act or other securities laws. Dunning worked as a non-registered Branch Office Administrator for Edward Jones in offices in and around Oklahoma City. Dunning was terminated from Edward Jones after she admitted to calling third parties and impersonating clients in order to facilitate retirement account rollovers from the third parties to Edward Jones.

**In the Matter of:     Anthony Ray Stacy and PVPE, LLC  
                                  ODS File No. 13-066**

On August 21, the Administrator issued a notice of opportunity for hearing on an Enforcement Division Recommendation (Recommendation) against Anthony Ray Stacy (Stacy) of Scottsdale, Arizona, and PVPE, LLC (PVPE) of Phoenix, Arizona, (collectively, "Respondents"). The Department alleged that Stacy, formerly registered under the Act as an investment adviser representative, offered and/or sold securities in the nature of limited partnership interests in the Palo Verde Fund, L.P. ("PV Fund") to two Oklahoma residents (Clients), in violation of Sections 1-501 and 1-502 of the Act and 660:11-7-42 of the Rules. In connection with the offer and sale of securities and the provision of investment advice to the Clients, Respondents allegedly made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in violation of the Act. Respondents allegedly engaged in unethical practices in the securities business by (1) transacting business as an investment adviser or investment adviser representative for the Clients without entering into written investment advisory contracts with the Clients; (2) recommending that Clients invest nearly all of their retirement funds and savings in the PV Fund without reasonable grounds to believe that such recommendations were suitable for the Clients on the basis of information furnished by the clients; and (3) breaching their fiduciary duties to the Clients and to the PV Fund. Stacy is also the subject of an order, issued after notice and opportunity for hearing by the securities regulator of the state of Arizona, that permanently revoked his registration under Arizona's securities laws as an investment adviser representative. The Department is seeking an order barring Respondents from registration under the Act and barring Stacy from association with a broker-dealer or investment adviser registered under the Act.

Civil Actions

SUMMARY

**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.

On January 8, 2015, Defendants Jimmy Gray and Michael Gray agreed to the entry of judgments wherein Defendant Jimmy Gray 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. Defendant Michael Gray 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 five-year period commencing December 28, 2014. Defendants Jimmy Gray and Michael Gray also 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; to take no action, directly or indirectly, to

hinder or obstruct the Receiver in the conduct of his duties or to interfere in any manner, directly or indirectly, with the custody, possession, or control exercised by said Receiver; and to make restitution to investors to be identified by the Court, in amounts to be determined by the Court. On January 8, Judge Swinton entered judgments against Defendants Jimmy Gray and Michael Gray.

On August 26, 2015, the Receiver filed applications to request a judicial determination of ownership of certain working interests in the Mackenzie Well under the Mackenzie Well Private Placement Memorandum, and to submit an authorization for expenditure to working interest owners. A hearing date is set for September 17.

**Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator v. Seabrooke Investments, LLC; Seabrooke Realty, LLC; Oakbrooke Homes, LLC; Bricktown Capital, LLC; KAT Properties, LLC; Cherry Hill, LLC *dba* Cherry Hill Apartments; Tom W. Seabrooke; and Judith Karyn Seabrooke  
Civil Case No. CJ-2014-4515**

On August 11, 2014, the Department filed a Petition for Permanent Injunction and Other Equitable Relief in the District Court of Oklahoma County against the above-named Defendants, all of Oklahoma City, Oklahoma, 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, Order Freezing Assets, Order Appointing Receiver, Order for Accounting and Temporary Injunction. On the same date, Judge Patricia G. Parrish issued a Temporary Restraining Order, Order Appointing Receiver, Order Freezing Assets, and Order for Accounting. Judge Parrish appointed Ryan Leonard as Receiver. On August 18, Robert Edinger filed his entry of appearance as counsel for the Receiver. On August 19, the Defendants filed a motion to vacate the temporary restraining order. On August 19, a hearing was held on the Department's application for a temporary injunction and Defendants' motion to vacate the temporary restraining order. Judge Parrish ordered the entry of a temporary injunction and ordered that the asset freeze, with the exception of one bank account, and the receivership remain in effect.

On September 9, a hearing was held on the Receiver's emergency motion to release the Bricktown Hotel and Convention Center as an asset of the Receivership. The Receiver believed that the value of the hotel was less than the value of its existing mortgages. The Court ordered that the Bricktown Hotel and Convention Center be released from the asset freeze and receivership. Upon oral motion by the Seabrookes' counsel, the Court considered compensation from the receivership estate for Tom and Karyn Seabrooke. The Court authorized a one-time \$4,000 payment to Tom Seabrooke for his prior services in management of the hotel. The Court further authorized Karyn Seabrooke to receive a monthly payment of \$2,500 for property management services so long as the Receiver continues to utilize her services and one-half of all real estate commissions earned by Seabrooke Realty, LLC so long as she is licensed to sell real estate, employed by Seabrooke Realty, LLC, and utilized by the Receiver in that regard.

After the Court's September compensation ruling, the Department filed a motion to remove Tom and Karyn Seabrooke from employment by the receivership. This motion was heard on October 14. The Court denied the Department's motion and ruled that Karyn Seabrooke would continue to receive monthly compensation in the amount of \$2,500.

During the month of November, 2014, the Court approved the Receiver's fee application for the month of September and the Receiver filed an application for the approval of his October 2014 fees. An agreed order was entered for the sale of the Cherry Hill Apartments located at 4708 S.E. 44<sup>th</sup> Street, Oklahoma City, Oklahoma (Cherry Hill Apartments). The Department filed a motion to retain the commission from the receivership sale of the Cherry Hill Apartments. The Defendants filed an objection to the Department's motion to retain the commission and the Department filed a reply. An agreed order was entered for the sale of property located at 2528 N.W. 12<sup>th</sup> Street in Oklahoma City, Oklahoma. An order was issued memorializing a September 2014 decision of the Court approving compensation to Tom and Karyn Seabrooke.

During the month of December, 2014, the Receiver filed a motion for contempt and for a declaratory order against First Commercial Bank (FCB) regarding the release of funds escrowed in connection with the sale of the Cherry Hill Apartments. Judge Parrish ordered the commission from the sale of the Cherry Hill Apartments to be escrowed. The Receiver filed an application for the Court to establish a claims procedure for creditors and/or investors. First National Bank of Weatherford (FNB-Weatherford) filed a motion for the release of the Oakbrooke Lawton Property from the Receivership estate. The Court approved the Receiver's October fee application and the Receiver filed an application for an order approving fees and expenses for the month of November.

During the month of January 2015, FNB-Weatherford filed a motion for the release of the Oakbrooke College Park Property from the Receivership estate and a supplement to its motion for the release of the Oakbrooke Lawton Property. An agreed order was entered releasing the property from the Receivership estate. Quail Creek Bank (QCB) filed a motion to disburse escrowed funds to QCB. Bricktown Capital LLC (Bricktown Capital) filed a motion to disburse escrowed funds to Bricktown Capital and for the payment of expenses of hotel vendors, and an objection to QCB's motion for disbursement. QCB filed an objection to Bricktown Capital's motion for disbursement of escrowed funds and for the payment of expenses of hotel vendors. The Department and the Receiver filed responses to QCB's motion. The Department also filed a response to Bricktown Capital's motion. QCB filed a response to all parties' objections to its motion. Wayne Doyle, a non-party, filed a motion for leave to intervene. An agreed protective order was issued relating to certain information requested from Wayne Doyle. The Court approved the Receiver's November fee application. An agreed order was entered establishing a claims procedure and setting a March 15, 2014 deadline for the filing of claims.

During the month of February, agreed orders were entered authorizing conditional intervention by FCB and Wayne Doyle. FCB filed its response to the Receiver's contempt motion and the application for an order to disburse escrowed attorney's fees relating to the Cherry Hill Apartments. Ilana D. Sharpe filed her entry of appearance as counsel for the Defendants. The Receiver filed a response to Bricktown Capital's motion for payment to hotel

vendors. A hearing was held on February 6, wherein the Court granted, in part, QCB's motion to disburse escrowed funds. The Court ordered the payment of \$6,064.20 to QCB and the payment of the remaining escrowed funds to the Receiver. At the hearing, the Court postponed a decision on the Defendants' motion to pay hotel vendors. An order was issued memorializing the February 6 rulings. Bricktown Capital filed a motion to strike the order and to substitute a corrected order. Agreed orders were entered releasing the Oakbrooke College Park Property from the Receivership estate and continuing the hearing on the FNB-Weatherford intervention motion. Alicia Holtlander-Petrone filed an emergency application to intervene and a motion for an emergency order for the disposition of assets relating to Receivership properties on 17<sup>th</sup> Street in Oklahoma City, Oklahoma. The Receiver filed a fee application for December 2014 and January 2015. Defendants filed an objection to this fee application. An agreed order was entered for the sale of property located at 1609 N.W. 15th Street, Oklahoma City, Oklahoma.

During the months of March and April, an agreed order was entered for the sale of properties located on 17<sup>th</sup> Street in Oklahoma City, Oklahoma. The Receiver's fee application for December 2014 and January 2015 was granted. The Receiver, Intervenor Wayne Doyle, and Defendant Bricktown Capital filed a Joint Motion for Interpleader requesting that the Court authorize the deposit with the court clerk of the balance of the proceeds from the sale of the Bricktown Hotel (\$187,585.90). The motion was granted. Doyle filed a motion asking for disbursement of the interpled funds plus an additional \$11,733.74 as payment on the secured indebtedness owed him. The Receiver filed a fee application for February 2015. Defendants filed an objection to this fee application. The Receiver's fee application was granted. The Department and the Receiver filed responses to FCB's application for an order to disburse escrowed fees. Both parties requested the release of the escrowed funds to the Receiver, while preserving the right of FCB to seek reimbursement of attorney fees in the claims process.

During the months of May and June, the Receiver filed a fee application for March 2015 to which Defendants filed an objection. The Court granted the application, as revised. Agreed orders were entered for the sale of the Briargate Plaza Apartments and properties located on Indiana Avenue and Northwest 11<sup>th</sup>, Northwest 17<sup>th</sup> and Northwest 21<sup>st</sup> Streets in Oklahoma City, Oklahoma. An application to intervene and a motion for an order to determine the right to proceeds from the sale of real estate were filed by Peggy Johnston and HPJ Family LP. A hearing is set for August 5<sup>th</sup>. The Department and Receiver filed responses to Doyle's motion asking for disbursement of the interpled funds. Doyle filed a reply to the Department's response. The Receiver filed notice of his *in camera* submission to the Court relating to his objection to Doyle's motion to disburse interpled funds and the Receiver's motion to retain the interpled funds as a receivership asset. Doyle filed a reply to the Receiver's objection and motion. An evidentiary hearing date is set for August 5<sup>th</sup> on Doyle's motion to disburse. The Receiver filed fee applications for April and May 2015.

During the months of July and August, the Receiver filed an amended fee application for April through May 2015; a fee application for June 2015; and an application for distributions on certain claims relating to Oklahoma City properties located at 1405 N.W. 17<sup>th</sup> Street, 1409 N.W. 17<sup>th</sup> Street, 1413 N.W. 17<sup>th</sup> Street, 1419 N.W. 17<sup>th</sup> Street, 1507 N.W. 17<sup>th</sup> Street, 1609 N.W. 15<sup>th</sup>

Street, and 425 N.W. 11<sup>th</sup> Street. On August 24, James A. Slayton filed his entry of appearance as counsel for Peggy Johnston; HPJ Family LP; and HPJ Family Trust.

**Southeast Investments, N.C., Inc. and Frank H. Black v.  
The State of Oklahoma *ex rel.* The Oklahoma Securities Commission  
Case No. CV-2015-86**

On January 20, 2015, Southeast Investments, N.C., Inc., and Frank H. Black (collectively, “Petitioners” and, individually, “SEI” and Black”) petitioned the District Court for review of the Final Order entered by the Oklahoma Securities Commission (the “Commission”) on December 22, 2014.

On February 10, the Department filed its response to the petition.

On April 8, the Department filed a Notice of Completion of Record for Appeal from the Commission.

On August 11, Judge Aletia Haynes Timmons entered an order setting the briefing and hearing schedule. On August 17, the Petitioners filed their Opening Brief.